

Agenda

Audit Committee

Date: Wednesday, 10 March 2021

Time: 10:00

Venue: By Zoom Video Conferencing

Contact: Craig Stewart, Committee Officer
craig.stewart@west-dunbarton.gov.uk

Dear Member

The Convener has directed that the powers contained in Section 43 of the Local Government in Scotland Act 2003 will be used and so Members will attend this meeting of the **Audit Committee** remotely. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

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

All other Councillors for information

Chief Executive
Chief Officers

Date of issue: 25 February 2021

AUDIT COMMITTEE
WEDNESDAY, 10 MARCH 2021

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

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

3 MINUTES OF PREVIOUS MEETING 7 - 10

Submit for approval as a correct record, the Minutes of Meeting of the Audit Committee held on 18 November 2021.

4 OPEN FORUM

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

**5 ANNUAL AUDITED ACCOUNTS 2019/2020 – ANNUAL 11 - 218
AUDIT REPORT TO MEMBERS AND CONTROLLER OF AUDIT**

Submit report by the Chief Officer - Resources providing Members with the opportunity to further scrutinise the Audited Annual Accounts 2019/20 and the Annual Audit Report to Members and Controller of Audit covering the Council and the Charities administered by the Council which were previously reported to Council on 25 November 2020.

6 TREASURY MANAGEMENT MID-YEAR REPORT 2020/21 219 - 233

Submit report by the Chief Officer - Resources providing Members with the opportunity to further scrutinise the Treasury Management Mid-Year report which was previously reported to Council on 16 December 2020.

7 STRATEGIC RISKS 2017-22 235 - 284

Submit report by the Chief Officer – People & Technology providing an update on the strategic risks for 2017-22.

8 AUDIT SCOTLAND ANNUAL AUDIT PLAN 2020/21 285 - 303

Submit report by the Chief Officer - Resources presenting Audit Scotland's Annual Audit Plan for the audit of financial year 2020/21.

**9 INTERNAL AUDIT PLAN 2020/21 PROGRESS TO
10 FEBRUARY 2021 305 - 332**

Submit report by the Chief Officer - Resources advising of progress at 10 February 2021 against the Audit Plan for 2020/21.

10 INTERNAL AUDIT PLAN 2021/22 333 - 341

Submit report by the Chief Officer - Resources advising of the planned programme of work for the Internal Audit section for the year 2021/22.

**11 PUBLIC INTEREST DISCLOSURES AND OTHER INTERNAL
AUDIT INVESTIGATIONS 343 - 347**

Submit report by the Chief Officer - Resources advising of the outcome of investigations into allegations and disclosures in line with the public interest disclosure and business irregularities policies received by Internal Audit between 1 July to 31 December 2020.

12 NATIONAL FRAUD INITIATIVE 2020/21 349 - 354

Submit report by the Chief Officer - Resources providing an update on the current position with regard to the National Fraud Initiative in Scotland 2020/2021 Exercise.

13 /

13 AUDIT SCOTLAND - COVID-19 GUIDE FOR AUDIT AND RISK COMMITTEES 355 - 356

Submit report by the Chief Officer - Resources providing an update on sub-group activity in relation to the Audit Scotland COVID-19 Guidance for Audit and Risk Committees.

14 UPDATE OF NON-DOMESTIC RATES MEMBER/OFFICER WORKING GROUP 357 - 362

Submit report by the Chief Officer - Resources providing an update on the Member/Officer working group and requesting consideration of issues affecting the Council in relation to Non-Domestic Rates (NDR).

15 ACCOUNTS COMMISSION REPORT: FINANCIAL OVERVIEW 2019/20 363 - 402

Submit report by the Chief Officer - Resources providing information regarding a report recently published by the Accounts Commission.

AUDIT COMMITTEE

At a Meeting of the Audit Committee held by Video Conferencing on Wednesday, 18 November 2020 at 2.00 p.m.

Present: Councillors Jim Brown, Karen Conaghan, Jonathan McColl, John Millar, John Mooney, Martin Rooney, Brian Walker and Lay Members Mr Chris Johnstone and Mr Christopher Todd.

Attending: Joyce White, Chief Executive; Jo Gibson, Head of Community Health & Care Services and Jonathan Hinds, Chief Social Work Officer, West Dunbartonshire Health & Social Care Partnership (H&SCP); Victoria Roger, Strategic Lead – People & Technology; Stephen West, Strategic Lead – Resources; Malcolm Bennie, Strategic Lead – Communications, Culture, Communities & Facilities; Andi Priestman, Shared Service Manager – Audit & Fraud; Raymond Lynch, Section Head (Licensing), Robert Mackie, Senior Officer (Licensing Services) and Craig Stewart, Committee Officer.

Also Attending: Ms Gemma McNally, Audit Scotland.

Apologies: An apology for absence was intimated on behalf of Councillor Daniel Lennie.

Councillor John Mooney in the Chair

CHAIR'S REMARKS

Councillor Mooney, Convener, welcomed everyone to the November meeting of the Audit Committee which was being held remotely, in terms of Section 43 of the Local Government in Scotland Act 2003.

Thereafter, the Convener advised that a process/procedure had been developed for the meeting (a copy of which had previously been circulated to Members). Thereafter, the Committee agreed to note the procedure in place for the conduct of the meeting and the meeting then commenced by video conferencing.

DECLARATIONS OF INTEREST

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

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit Committee held on 16 September 2020 were submitted and approved as a correct record.

OPEN FORUM

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

STRATEGIC RISKS 2017-22

A report was submitted by the Strategic Lead – People & Technology providing an update on the COVID-19 and EU Exit strategic risks.

After discussion and having heard the Strategic Lead – People & Technology and the Chief Executive in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the draft risk outline for SR012 Pandemic as detailed in Appendix 1 to the report;
- (2) to note the revised EU Exit Assurance Plan, contained within Appendix 2 to the report; and
- (3) to note the revised EU Exit Assurance Plan for HSCP Services, as detailed in Appendix 3 to the report.

INTERNAL AUDIT PLANS 2019/20 AND 2020/21 – PROGRESS TO 21 OCTOBER 2020

A report was submitted by the Strategic Lead - Resources advising on progress at 21 October 2020 against the Audit Plans for 2019/20 and 2020/21.

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

AUDIT COMMITTEE ANNUAL SELF-ASSESSMENT – UPDATE ON ACTION PLANS

A report was submitted by the Strategic Lead – Resources providing an update on the status of the action plan arising from the Self-Assessment exercise.

After discussion and having heard the Shared Service Manager – Audit & Fraud in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the progress of the agreed actions arising from the self-assessment exercises carried out in 2018 and 2019; and
- (2) to note that progress on the completion of the agreed actions would be reported annually to the Audit Committee.

ANNUAL REPORT ON THE AUDIT COMMITTEE 2019-20

A report was submitted by Strategic Lead – Resources providing Members with an Annual Report on the Audit Committee for 2019/20.

After discussion and having heard the Shared Service Manager – Audit & Fraud and Councillor Mooney, Chair, in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to endorse the Chair's Annual Report on the Audit Committee for 2019/20; and
- (2) that the report should be presented to a future meeting of the Council.

AUDIT SCOTLAND REPORT – COVID-19 GUIDE FOR AUDIT AND RISK COMMITTEES

A report was submitted by the Strategic Lead – Resources informing of new guidance issued by Audit Scotland on key issues for consideration by audit and risk committees during the Covid-19 pandemic. It was noted that the Appendix to the report had inadvertently been omitted from the Committee issue but that a copy of the Appendix had subsequently been sent to all Members of the Committee by email.

After discussion and having heard the Shared Service Manager – Audit & Fraud in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to note the report and the four key areas identified; and

- (2) to note that a sub-group will be formed from Members of the Audit Committee, comprising of the Chair, Councillor Mooney, 1 Member of the Administration and the 2 Lay Members on the Committee, to consider the questions posed in the guidance. It was also noted that the work of the sub-group would be supported by the Shared Service Manager – Audit & Fraud and that a further report would be presented to the Audit Committee at its next scheduled meeting in March 2021 outlining the current position.

SCOTTISH PUBLIC SERVICES OMBUDSMAN COMPLAINTS REPORT 2019/20

A report was submitted by the Strategic Lead – Communications, Culture, Communities & Facilities presenting the Scottish Public Services Ombudsman (SPSO) report on complaints handling by West Dunbartonshire Council for the year 1 April 2019 – 31 March 2020.

After discussion and having heard the Strategic Lead in further explanation of the report and in answer to a Member's question, the Committee agreed:-

- (1) to support a commitment to improve response times for complaints to ensure compliance with Scottish Public Services Ombudsman (SPSO) timelines;
- (2) to encourage an improvement culture that welcomes complaints in any form so that the Council could capture all expressions of dissatisfaction and use this information to drive future improvements;
- (3) to ensure each service uses the data provided to identify and progress improvement activity; and
- (4) to ensure time was allocated at regular management teams for complaints analysis to allow Performance & Strategy Business Partners to support and capture improvement and learning activity for progress reporting.

The meeting closed at 2.56 p.m.

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee – 10 March 2021**

Subject: Audited Annual Accounts 2019/2020 – Annual Audit Report to Members and Controller of Audit**1. Purpose**

- 1.1** The purpose of this report is to provide Members with the opportunity to further scrutinise the Audited Annual Accounts 2019/20 and the Annual Audit Report to Members and Controller of Audit, covering the Council and the Charities administered by the Council which were previously reported to Council on 25 November 2020.

2. Recommendations

- 2.1** Members are requested to further consider the information provided within the Audited Annual Accounts 2019/2020 and Annual Audit Report to Members and Controller of Audit - covering the Council and the Charities administered by the Council - as appended to this report.

3. Background

- 3.1** The Council's draft unaudited Annual Accounts (including the Group Accounts) for 2019/20 were reported to Council on 26 August 2020 and passed to the Accounts Commission before the statutory deadline on 30 June 2020.
- 3.2** The report submitted to the August 2020 Council identified a draft position of an unearmarked General Service reserve of £2.447m and provided Members with information as to variances for the year. The draft unearmarked position for the Housing Revenue Account reserve was £0.883m.
- 3.3** The Charitable Trusts' draft, unaudited accounts for 2019/20 were also reported to August 2020 Council.
- 3.4** As the external auditor of the Council, it is Audit Scotland's responsibility to undertake their audit work in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
- 3.5** The Audited Annual Accounts 2019/2020 and Annual Audit Report to Members and Controller of Audit - covering the Council and the Charities administered by the Council – were reported to and approved by Council on 25 November 2020, in line with the statutory deadline.

4. Main Issues

- 4.1 The audits of the Annual Accounts for both the Council and the Council-administered Charities have now been completed. The Council has received Annual Audit Report to Members and Controller of Audit which is appended to this report for consideration (Appendices 1 and 2). The audited Annual Accounts for the Council and the Council-administered Charitable Trusts are appended to this report for consideration and approval (Appendices 3 and 4).

West Dunbartonshire Council and Charities Audit Report

- 4.2 Audit Scotland, as the Council's external auditors, has issued a report dated 25 November 2020 which details the main issues arising from the audit of the Council and its Annual Accounts. The full report is appended to this report (Appendix 1).
- 4.3 The report identifies 7 recommendations for improvement for the Council. It also identifies a further 3 recommendations in relation to the Trust Funds. The report also provides management responses for these actions and an update on the 6 actions identified from the 2018/19 Audit Report (2 of which are noted as partially completed/ ongoing).
- 4.4 The Audit Opinion is detailed on page 8 of the report which advises that Audit Scotland expect to issue an unqualified opinion on the Council's Annual Accounts. Page 15 reports that Audit Scotland expect to issue an unqualified opinion on the Charities Annual Accounts.
- 4.5 The report also appends (see Appendix 2) the independent auditor's report and the letters of representation (ISA 580) which the then Strategic Lead - Resources was required to sign and submit to Audit Scotland.

The Council's Accounts

- 4.6 A number of presentational and monetary adjustments were identified within the draft Annual Accounts during the course of the audit, the effect of which results in a net increase in the Council's General Fund reserve balance of £0.305m and a net decrease of £4.463m on the reserves position in the Housing Revenue Account (HRA). Further detail on the updated General Fund position is noted below:

	General Services			HRA		
	Free Reserve £000	Earmarked Reserve £000	Total Reserve £000	Free Reserve £000	Earmarked Reserve £000	Total Reserve £000
Draft Financial Statements	2,447	6,643	9,090	883	7,504	8,387
Change in use of capital receipts	305	0	305	0	0	0
Adjustment to loans fund review value used in year	0	0	0	0	(4,463)	(4,463)
Audited Financial Statements	2,752	6,643	9,395	883	3,041	3,924

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

4.8 The management commentary on pages 2 to 17 of the Annual Accounts summarises the major matters contained within the document and provides an explanation of the Council's financial position as at 31 March 2020. In particular:

(a) In relation to the General Fund:

- The accounts show a General Fund balance of £9.395m as at 31 March 2020. Of this balance, £6.643m is earmarked for ring-fenced purposes, leaving an unearmarked balance of £2.752m;
- The unearmarked balance of £2.752m compares to the targeted prudential level of reserve of £4.305m which is considered necessary to safeguard assets and to protect services against financial risk; and
- In addition to the above reserves, a sum of £0.232m has been set aside as a provision for future equal pay claims.

(b) In relation to the Housing Revenue Account, the accounts show an HRA balance of £3.924m as at 31 March 2020. Of this balance £3.041m is earmarked, leaving a free balance of £0.883m which is in line with the recommended prudential level of HRA reserve of £0.883m.

(c) The Council maintains statutory accounts for two trading operations under the provisions of the Local Government Scotland Act 2003: Housing Maintenance and Grounds Maintenance/Street Cleaning. These operations returned a collective surplus in the year of £2.387m and both operations have achieved a break even performance over the last three years in line with their statutory requirements.

4.9 On pages 19 to 27 of the accounts is the Annual Governance Statement. This Statement provides assurance that the Council has in place a sound system of governance control. The Governance Statement identifies a number of areas where officers have identified improvements can be made.

Charitable Trusts' Accounts

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

4.11 Page 8 of the Accounts details the Statement of Balances and highlights a decrease in the balances held from £0.283m to £0.277m as at 31 March 2020.

5. Option Appraisal

5.1 No option appraisal was required for this report.

6. People Implications

6.1 There are no people implications.

7. Financial and Procurement Implications

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

8. Risk Analysis

8.1 No risk analysis was required.

9. Equalities Impact Assessment (EIA)

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

10. Consultation

10.1 The views of relevant officers were requested on this report and the appendices and view were taken on board.

11. Strategic Assessment

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

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Stephen West
Chief Officer - Resources
Date: 15 February 2021

Person to Contact: Gillian McNeilly, Finance Manager, Church Street,
Dumbarton
Telephone (01389) 737194
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Appendices:

1. Audit Scotland's Annual Audit Report to West Dunbartonshire Council and Controller of Audit (incorporating Charitable Trusts);
2. West Dunbartonshire Council – Annual Audit Report – covering letter (including ISA 580) (incorporating Charitable Trusts);
3. Audited Annual Accounts 2019/20 – West Dunbartonshire Council; and
4. Audited Annual Accounts 2019/20 – Charitable Trust Funds.

Background Papers:

1. Report to Council of 26 August 2020: Draft Annual Accounts 2019/2020

Wards Affected: All

West Dunbartonshire Council

Proposed 2019/20 Annual Audit Report

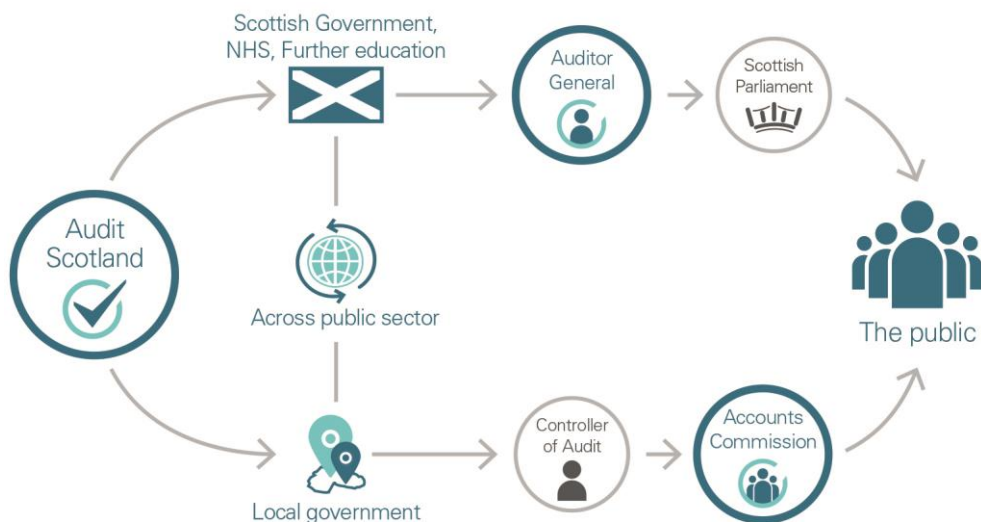


Prepared for the Members of West Dunbartonshire Council and the Controller of Audit
25 November 2020

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2019/20 annual accounts

- 1 The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2020.
- 2 The council has valued its assets on an appropriate basis. An 'emphasis of matter' paragraph is included in the independent auditor's report to draw attention to the disclosure in the accounts of material uncertainty in property valuations due to the potential impact of Covid-19 pandemic.
- 3 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.
- 4 The statement of accounts for the six section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2020 and its statement of balances at that date.

Financial management

- 5 The council has a good track record of delivering services within budget and reported a surplus of £0.586 million for 2019/20.
- 6 The council's budget setting process is operating effectively with member engagement throughout the preparation and approval of the 2019/20 budget.
- 7 The council has effective budget monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.
- 8 A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. The level of capital slippage significantly improved during 2019/20, although this still represented 23 per cent of the approved capital programme for the year.
- 9 Outstanding loans at 31 March 2020 totalled almost £514 million and the council has high levels of debt relative to annual revenue.

Financial sustainability

- 10 The council is projecting an overspend against the 2020/21 general fund revenue budget, primarily due to the financial impact of Covid-19.
- 11 The council has effective arrangements in place for financial planning that include a long-term financial strategy, however, this will need to be revised to reflect the longer-term financial impact of Covid-19. Additional budget "flexibilities" will be available to Scottish councils in 2020/21 and 2021/22 to mitigate the immediate financial impact of Covid-19.
- 12 The council approved the reprofiling of loans fund advance repayments during the year. This has reduced the annual payments made from the general fund and HRA to the loans fund each year but will also result in annual repayments having to be made over a longer period.

- 13** The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities. The uncommitted general fund balance of £2.752 million at 31 March 2020 was below the target of £4.122 million, set by the Council. This increases the risk that the council will have insufficient reserves to respond to unforeseen events.

Governance and transparency

- 14** The council had effective governance arrangements in place during 2019/20. The Covid-19 pandemic has impacted on these arrangements, but we have concluded that the revised arrangements are appropriate and continue to support good governance and accountability.
- 15** Regular cross party meetings were held to share updates on the developments on the Covid-19 pandemic. Members were also kept up to date through regular and comprehensive briefing papers. These included responses to members questions to ensure that all members have the most up-to-date information for any queries raised.

Best Value

- 16** Good progress has been made in addressing the recommendations from the [*Best Value Assurance Report \(June 2018\)*](#) with all five recommendations now implemented. We will continue to monitor the longer-term impact of the improvements made.
- 17** The council demonstrates a clear focus on delivering Best Value and there is evidence of continuous improvement in its services over time.
- 18** The council has effective systems in place to monitor performance and drive continuous improvement, which support scrutiny of service performance. The council reported that 55 per cent of strategic indicators were on target during 2019/20, but 15 per cent were significantly below target.
- 19** The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality will be exacerbated by the impact of Covid-19. The impact on service performance during 2020/21 will be reported in next year's annual audit report.
- 20** Overall, performance against national indicators has improved in recent years and the rate of improvement of West Dunbartonshire Council is slightly above the national trend.

Introduction

1. This report summarises the findings arising from the 2019/20 audit of West Dunbartonshire Council (the council) and its group.

2. We aim to add value to the council through the audit by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvement that are accepted by management
- reporting our findings and conclusions in public
- sharing intelligence and good practice through our national reports, [Appendix 3](#), and good practice guides, and
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Scope of our audit

3. The scope of the audit was set out in our [Annual Audit Plan](#) presented to the 18 March 2020 meeting of the Audit Committee. This report comprises the findings from:

- our audit of the council and its group's annual accounts, and the statement of accounts of the section 106 charities administered by the council, including the issue of independent auditor's reports setting out our opinions
- a review of the council's key financial systems
- audit work covering the council's arrangements for securing best value including follow up of the recommendations from our [Best Value Assurance Report \(June 2018\)](#)
- our consideration of the wider audit dimensions of public sector audit, [exhibit 1](#), as set out in the [Code of Audit Practice 2016](#).

Impact of Covid-19

4. Subsequent to the publication of the 2019/20 Annual Audit Plan, in common with all public bodies, the council has had to respond to the Covid-19 pandemic. This impacted on the final month of the financial year and continues to have a significant impact into 2020/21. This has had major implications for the provision and cost of services since March 2020. Our planned audit work has been adapted for the new emerging risks that relate to the financial statements and the wider dimensions of audit.

Ethical considerations

5. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2019/20 audit fee of £271,690 (which includes £2,100 for the audit of the charitable trust funds) as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

Responsibilities and reporting

6. The council has responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

7. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

8. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability, and best value arrangements.

9. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

10. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control. An agreed action plan is included at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation.

11. This report is addressed to both the council and the Controller of Audit and will be published on Audit Scotland's website: www.audit-scotland.gov.uk

Extension of audit appointment

12. Auditors appointed under statute by the Accounts Commission are engaged for a five-year period. The current audit engagement was due to end after the

conclusion of the 2020/21 audit. Normally at the end of each five-year period a new auditor is appointed, either Audit Scotland or a private sector accountancy firm.

13. Covid-19 will have implications beyond the immediate challenge of this year's final accounts. As this year's audits will be reported later than normal, planning for and potentially reporting next year's annual audit work will also be affected. At its October meeting Accounts Commission approved the extension of current audit appointments for a year to include the 2021/22 audit year. This decision reflects the need for stability and continuity given the longer-term impact of Covid-19 on audited bodies and the difficulty of running the necessary procurement exercise during the pandemic. Similar extensions are effective for the council's associated bodies, for example, the Dunbartonshire and Argyll & Bute Valuation Joint Board.

Acknowledgement

14. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2019/20 annual accounts



Main judgements

The financial statements of West Dunbartonshire Council and its group give a true and fair view of its financial position for the year ended 31 March 2020.

The council has valued its assets on an appropriate basis. An ‘emphasis of matter’ paragraph is included in the independent auditor’s report to draw attention to the disclosure in the accounts of material uncertainty in property valuations due to the potential impact of Covid-19 pandemic.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with relevant regulations and guidance.

The statement of accounts for the six section 106 charities administered by the council properly presents the receipts and payments of the charities for the year ended 31 March 2020 and its statement of balances at that date.

Our audit opinions on the annual accounts are unmodified

15. The annual accounts for the council and its group for the year ended 31 March 2020 were approved by the Council on 25 November 2020. We reported in our independent auditor’s report that the:

- financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework
- audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The annual accounts are the principal means for the council accounting for the stewardship of resources to the public and other external stakeholders.

The council has disclosed a material uncertainty in property valuations related to the potential impact of the Covid-19 pandemic

16. An “emphasis of matter” paragraph is a paragraph added to an independent auditor’s report. It does not qualify or modify the auditor’s opinion on the financial statements. It is used to indicate a matter which is disclosed appropriately in the financial statements, and notes thereto, but which the auditor considers should be drawn to users’ attention as being fundamental to understanding the financial statements.

17. *Note 1: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty* in the council’s audited accounts discloses a material valuation uncertainty in property valuations related to the potential impact of the Covid-19 pandemic. We have included an “emphasis of matter” paragraph in our independent auditor’s report to draw attention to the scale of the uncertainty. We expect that the inclusion of such a paragraph will be a feature of 2019/20 independent auditor reports across the public sector.

18. Further information on the basis for the emphasis of matter paragraph is contained in [Exhibit 3](#).

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

19. The Scottish Government Local Government Finance Circular 10/2020 confirmed that the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 allow for the completion and audit of the 2019/20 Annual Accounts to be postponed to no later than 30 November 2020.

20. The council used the powers in the Act to delay the publication of the 2019/20 unaudited accounts beyond its original timetable. The unaudited accounts were submitted to us on 29 June 2020, in line with the original pre-Covid timetable, but were not formally considered by the Council until the first virtual meeting after this date on 26 August 2020.

21. Covid-19 had an impact on the time taken to complete audit work as remote working meant that audit tasks took longer than usual as the audit team were unable to access staff, records and systems as readily as when physical access was available.

22. Throughout the audit process there has been on-going discussions with council staff and their support enabled the audit to proceed as planned. The working papers provided to support the unaudited accounts were of a good standard. However, the time taken to respond to some queries was understandably impacted as council staff were dealing with significant additional pressures from Covid-19.

23. The conclusion of the audit and approval of the accounts was in line with the revised timetable permitted by the Scottish Government, with the audited accounts signed after the full Council meeting on 25 November 2020.

Our audit testing reflected the calculated materiality levels

24. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the perceptions and decisions of users of the financial statements. The assessment of what is material is a matter of professional judgement. A misstatement or omission, which would not normally be regarded as material by value, may be important for other reasons (for example, an item contrary to law). In forming our opinion on the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

25. Our initial assessment of materiality for the financial statements was undertaken during the planning phase of the audit and was based on the gross expenditure reported in the audited 2018/19 Annual Accounts. These levels were reported in our Annual Audit Plan presented to the audit committee on 18 March 2020.

26. On receipt of the unaudited 2019/20 Annual Accounts we recalculated our materiality levels based on the actual gross expenditure for the year ended 31 March 2020. Our materiality levels are summarised in [Exhibit 2](#). We concluded that there was no significant impact on the audit approach of the recalculated materiality levels.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality: This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020.	£4.798 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of overall materiality.	£2.399 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality.	£0.050 million

Source: Audit Scotland

Our audit identified and addressed the risks of material misstatement

27. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influenced our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the audit team are directed. The appendix also identifies the work we undertook to address these risks and our conclusions from this work.

We reported the significant findings from the audit to those charged with governance

28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices including accounting policies, accounting estimates and financial statements disclosures.

29. The significant findings are summarised in [Exhibit 3](#). Our audit also identified some presentational and disclosure issues which were discussed with management. These were all adjusted and reflected in the audited annual accounts and none were significant enough to require to be separately reported under ISA 260.

Exhibit 3

Significant findings from the audit of the financial statements

Issue	Resolution
<p>1. Property valuations uncertainty due to the potential impact of Covid-19</p> <p>The Balance Sheet includes property, plant and equipment with a total value of £1.012 billion at 31 March 2020. The council has a five-year rolling valuation programme as detailed in <i>Note 32: Accounting Policies</i>. The asset valuer has referenced 'material valuation uncertainty' in their valuation report, however the report also outlines that while a higher degree of caution should be applied, this does not mean the valuation cannot be relied upon.</p> <p>The valuation report only covers specific asset categories, in accordance with the rolling valuation programme, but due to the potential impact of Covid-19 from mid-March 2020, we believe that, there is a wider material uncertainty within the property valuations.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations.</p> <p>The annual accounts appropriately disclose this increased uncertainty at <i>Note 1: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty</i>, and we have also included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to this disclosure.</p>
<p>2. Revised pension liability</p> <p>In January 2017 an employment tribunal ruled that a group of claimants had been subject to age discrimination when they were transferred to a new career average pension scheme, known widely as the McCloud case. The prior year's audited annual accounts reflected the actuary's best estimate of the impact of this ruling on the pension liability at 31 March 2019.</p> <p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this, Hymans Robertson (the appointed actuary for Strathclyde Pension Fund) contacted the council to advise that the proposed remedy would result in the estimated pension liability at 31 March 2020 being reduced.</p>	<p>As the proposed remedy had a material impact on the pension liability at 31 March 2020, management obtained a revised actuarial report and made an adjustment to the audited annual accounts to reflect the revised pension liability figure. The impact of these rulings resulted in the pension liability figure in the balance sheet, and the deficit on provision of services figure in the comprehensive income and expenditure statement, both decreasing by £5.894 million.</p>
<p>3. Loans fund reprofiling</p> <p>As detailed at paragraphs 85-91, in March 2020 the council approved moving from the "statutory method" to the "asset life method" for future repayments from the general fund and Housing Revenue Account (HRA) for outstanding debt relating to advances from the loans fund.</p> <p>An element of the accounting treatment for the loans fund review involved profiling a recalculation adjustment value of £19.8 million for the general fund and £9.2 million for the HRA over a prudent period.</p> <p>HRA: For the unaudited accounts a period of 2 years had been used for the profiling of the HRA recalculation adjustment (i.e. repayments over the</p>	<p>HRA: Having reconsidered the approach with full regard to the period and pattern of benefits provided to the community, and based upon the difference between 'original' average debt advances repayment period and the 'revised' repayment period, management advised that 8 years would be a more appropriate period to use.</p> <p>This change is reflected in the audited accounts and results in the annual repayment from the HRA to the loans fund for 2019/20 increasing by £4.463 million, and the HRA reserve balance at 31 March 2020 reducing by the same amount.</p>

next 2 years would be reduced by £9.2 million). We queried with management whether this profiling period was prudent based on the pattern of benefits provided to the community from the assets funded from the loans fund advances.

General fund: For the unaudited accounts, the general fund loans fund repayments were calculated to reflect the asset lives. The charge for 2019/20 was then adjusted by £1.6 million to mitigate the impact of budget pressures caused by less than budgeted capital receipts.

In our opinion this adjustment means that the 2019/20 repayments are not in line with the council's accounting policy for repayments to follow the asset life method. As a result, our view is that the general fund loans fund repayments are understated by £1.6 million. The general fund reserves are overstated by an equal amount.

General fund: The council accepts audit's view and will review the loans fund repayment scheduling in 2020/21. The 'asset life method' will be consistently applied across the repayment periods from 2020/21. Management has decided not to change the general fund loans fund repayments in the 2019/20 accounts.

Audit have accepted this approach as the £1.6 million unadjusted misstatement, while significant, is not a material misstatement of the accounts.



[Recommendation 1 \(Appendix 1 - Action Plan\)](#)

4. Goodwin case

The Goodwin case relates to a recent employment tribunal that changes the pension entitlement of male survivors in opposite sex marriages to take into account the female member's service from 6 April 1978. Previously, the male spouse survivor's entitlement was based on service accrued from 6 April 1988. The change is backdated to 5 December 2005. The change therefore affects the pension of male spouse survivors where their entitlement arose (i.e. where the female member died) on or after 5 December 2005. This ruling will impact upon the future promised retirement benefits of members but the level of this impact cannot yet be quantified with any certainty.

In accordance with CIPFA/LASAAC guidance, management has included an unquantified contingent liability disclosure in respect of the Goodwin case at *Note 30 – Contingent Assets or Liabilities* in the audited annual accounts

5. Remuneration report disclosure

The [Local Authority Accounts \(Scotland\) Regulations 2014](#) set out the disclosure requirements for the remuneration report in local authority accounts. This includes which individuals require to be included within the report and notes that senior employees to be disclosed include any employee who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the [Local Government and Housing Act 1989](#).

The Act notes that a post is considered to be politically restricted if any of the following criteria apply:

- (a) a person for whom the head of the authority's paid service is directly responsible;
- (b) a person who, as respects all or most of the duties of his post, is required to report directly or is directly accountable to the head of the authority's paid service; and
- (c) any person who, as respects all or most of the duties of his post, is required to report

Management updated the remuneration report in the audited annual accounts to include details of the remuneration of the Chief Monitoring Officer and the Strategic Lead for People and Technology.

directly or is directly accountable to the local authority themselves or any committee or sub-committee of the authority.

During the audit we identified two officers who meet the criteria set out above, by virtue of the fact they reported directly to the Chief Executive (i.e. head of the authority's paid service) during 2019/20, but had not been disclosed in the remuneration report in the unaudited annual accounts.

6. Untaken annual leave accrual

Our review of the calculation of the untaken annual leave accrual in the unaudited annual accounts identified an error due to 17 members of staff being duplicated.

Management updated the audited annual accounts to reflect the recalculated annual leave accrual figure which resulted in the accrual at 31 March 2020 decreasing by £0.085 million.



[Recommendation 2 \(Appendix 1 - Action Plan\)](#)

7. Financial Guarantees

During the audit we identified that West Dunbartonshire Council had issued letters of comfort to both West Dunbartonshire Leisure Trust and Clydebank Property Company but neither had been disclosed as financial guarantees within the unaudited annual accounts.

These letters were provided due to the ongoing uncertainty related to Covid-19 and constitute financial guarantees as defined by the Code. However, no actual financial support has been provided to date.

Management updated the audited annual accounts to disclose the assurances provided to West Dunbartonshire Leisure Trust and Clydebank Property Company within *Note 31: Financial Guarantee*.



[Recommendation 3 \(Appendix 1 - Action Plan\)](#)

8. Accounts Payable and Accounts Receivable overstatement

After the submission of the unaudited annual accounts, the council identified an error within debtors and creditors that resulted in both the accounts payable and accounts receivable balances at 31 March 2020 being overstated by £0.670 million.

Management updated the accounts payable and accounts receivable balances in the audited annual accounts. This resulted in both balances reducing by £0.670 million and therefore had a nil impact on the Net Assets at 31 March 2020 in the Balance Sheet.



[Recommendation 4 \(Appendix 1 - Action Plan\)](#)

Source: Audit Scotland

There is one unadjusted misstatement in the audited accounts. Had this been corrected it would have reduced the council's usable reserves balance at 31 March 2020 by £1.6 million.

30. It is our responsibility to request that all misstatements above the reporting threshold are corrected. The final decision on this lies with those charged with governance considering advice from senior officers and materiality.

31. Four adjustments were made as a result of issues that arose during the course of the 2019/20 audit (detailed at issues 2, 3, 6 and 8 in [Exhibit 3](#)). As a result of these changes the Total Comprehensive Income figure in the comprehensive income and expenditure statement increased by £5.979 million and the Net Assets figure in the council's balance sheet also increased by the same amount.

32. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature and request that they be corrected. There is one unadjusted misstatement in the audited accounts relating to the repayment from the general fund to the loans fund for 2019/20 (detailed at issue 3 in [Exhibit 3](#)). Had this been corrected it would have reduced the council's usable reserves balance at 31 March 2020 by £1.6 million.

33. We have concluded that the misstatements identified during the audit arose from issues that have been isolated and identified in their entirety, and do not indicate further systemic error.

Good progress has been made in implementing our prior year recommendations

34. The council has made good progress in implementing our prior year recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

We have given an unqualified opinion on the financial statements for the charities administered by the council

35. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charity's legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity administered by the council, where elected members of Scottish local authorities are the sole trustees, irrespective of the size of the charity.

36. West Dunbartonshire Council administer the Dr A K Glen and West Dunbartonshire Charitable Trusts, a registered charity that incorporates five trust funds. A single statement of accounts is produced each year covering all six trust funds and at 31 March 2020 a cumulative balance of £0.277 million was held in these funds, [Exhibit 4](#).

Exhibit 4

Movement in funds held by charities administered by West Dunbartonshire Council

Charitable Trust Fund	Scottish Charity Number	Opening Balance at 1 April 2019 £000	Closing Balance at 31 March 2020 £000
Dr A K Glen	SC018701	24	24
Alexander Cameron Bequest	SC025070	120	116
UIE Award		25	25
Vale of Leven Trust		3	0
Dunbartonshire Educational Trust Scheme 1962		89	90
McAuley Prize for Mathematics		22	22
Total Net Assets		283	277

Source: Dr A K Glen and West Dunbartonshire Trust Funds audited accounts 2019/20

37. It was agreed by Trustees during 2016/17 that the Vale of Leven funds should be disbursed in full and this was completed during 2019/20, leaving the fund with a nil balance. The trust has therefore been wound up, with OSCR confirming removal from the Charities Register on 11 March 2020.

38. The Trust Fund balances are disclosed in a note in West Dunbartonshire's Annual Accounts but do not represent assets of the council so are not included within the cash and cash equivalents figure shown in the council's balance sheet.

39. Our duties as auditors of the charities administered by West Dunbartonshire Council are to:

- express an opinion on whether the charity's financial statements properly present the charity's financial position and are prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements
- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator (OSCR)

40. We have given an unqualified opinion on the financial statements for the charities administered by the council and have nothing to report in respect of other matters.

41. Two wider dimension risks were identified during the planning process. These related to the potential dormancy of certain charitable trusts, and the governance and investment documentation for the following charitable trusts:

- Dunbartonshire Educational Trust Scheme 1962
- McAuley Prize for Mathematics
- UIE Award

42. These are issues that have been ongoing for a number of years and have still to be satisfactorily resolved. As a result, they are both included in the agreed action plan at [Appendix 1](#).

43. Four of the charitable trusts did not make any payments during 2019/20. In considering the dormancy of these trusts, it was noted that there is minimal information available regarding the trusts, or the application process to access funds, on the West Dunbartonshire Council website. This could serve to further perpetuate the dormancy of the trust funds if information cannot be easily accessed.

No objections to the annual accounts were received

44. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The council complied with the regulations and there were no objections to the 2019/20 annual accounts.

The deadline for the submission of the auditor assurance statement on the council's 2019/20 WGA return has been extended to 4 December 2020

45. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. The council is required to provide information in a WGA return and external auditors are required to review and provide assurance on the WGA return. In accordance with the WGA guidance we will complete the required assurance statement and submit it to the National Audit Office by the extended deadline of 4 December 2020.

Part 2

Financial management



Main judgements

The council has a good track record of delivering services within budget and reported a surplus of £0.586 million for 2019/20.

The council's budget setting process is operating effectively with member engagement throughout the preparation and approval of the 2019/20 budget.

The council has effective budget monitoring and control arrangements that allow elected members to carry out effective scrutiny of the council's finances.

A trend of slippage in the capital programme was reported in the 2018 Best Value Assurance Report. The level of capital slippage significantly improved during 2019/20, although this still represented 23 per cent of the approved capital programme for the year.

Outstanding loans at 31 March 2020 totalled almost £514 million and the council has high levels of debt relative to annual revenue.

The 2019/20 budget included planned contributions from reserves to address the funding gap

46. During the 2019/20 annual budget setting process we observed that elected members were provided with projected funding gaps and savings options early in the budget setting process to enable them to make soundly based decisions on closing the funding gap. Based on our observations of the budget setting process we are satisfied that the council's budget setting process operates effectively.

47. In March 2019, the Council approved a three per cent increase to council tax and a general fund revenue budget of £219.079 million for 2019/20, which was an increase of £4.556 million from the 2018/19 final budget of £214.523 million. The approved budget identified a projected funding gap of £5.060 million. Plans to address the funding gap included targeted efficiency savings of £2.739 million, a review of the loans fund advances repayment profile, and a transfer of £0.975 million from reserves.

48. The budget was updated during the year to reflect a range of budget revisions and additional funding being provided by the Scottish Government, including funding to cover additional pay and pension costs for teachers, resulting in a revised budget of £223.433 million.

Effective budget monitoring and reporting arrangements are in place

49. During the year, budgetary control reports were reported regularly to senior management and members. These outlined the council's financial performance against budget to date, as well as a projected variance for the year. This allowed for appropriate action to be taken in response to adverse variances. Therefore, we concluded that effective budget monitoring and reporting arrangements are in place.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

The council has a good track record of delivering services within budget and reported a surplus of £0.586 million for 2019/20

50. The council has a good track record of consistently delivering services within budget and again delivered services within budget during 2019/20 with a surplus of £0.586 million reported. The achievement of a surplus was attributable to a range of specific management actions taken to reduce costs and control spending including:

- control of vacancies and staff cover
- general process and efficiency review
- specific restructuring of service delivery, and
- implementation of agreed actions to deliver savings targets.

Educational services reported a £1.455 million overspend for 2019/20 due to in-year cost pressures, including additional staffing costs

51. The overall surplus reported against budget for 2019/20 reflects the outturn of services with favourable variances in some services partially offset by overspends in other areas, particularly Educational Services. The most significant under and overspends are summarised in [Exhibit 5](#).

Exhibit 5 Summary of significant under / overspends against budget

Area	£m	Reason for variance
Underspends		
Corporate Services	£1.101	A number of vacant posts have led to favourable variances, as well as an increase in overpayment recoveries.
Infrastructure, Regeneration and Economic Development	£0.539	Favourable staffing budget due to vacancies, alongside a mild winter which led to lower winter gritting costs; and increased income from a higher volume of work being completed.
Overspends		
Educational Services	£1.455	Spend pressures, particularly within teacher probationary costs, additional specialists needs and secondary schools. An improvement plan has been developed to address overspends within Education Services.

Source: West Dunbartonshire Council 2019/20 Annual Accounts

82 per cent of targeted efficiency savings were delivered during 2019/20

52. As part of the annual budget process, targeted efficiencies of £2.739 million were identified and agreed for action. These were monitored monthly as part of the budgetary control process with £2.244m (82 per cent) being delivered.

The HRA operated within budget, however rent arrears have increased from the prior year

53. The council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year. The council does not have the power to budget to accumulate HRA reserves.

54. In February 2019, the Council approved a 2% increase in the average weekly rent levels for tenants for 2019/20. The rent level set reflected the income required to fund the revenue budget of £43.204 million.

55. Total HRA expenditure for the year totalled £42.004 million, £1.200 million less than budgeted. This was primarily due to HRA repairs expenditure where activity is demand led. The spend can fluctuate each month and the lower than anticipated demand across the year resulted in the spend being less than what was originally anticipated. Actual income for the year was £0.027 million less than budgeted, resulting in a surplus for the year of £1.173 million. This, alongside the in-year effect on the Loans Fund Review, brings the total HRA reserves to £3.924 million at 31 March 2020, an increase of £1.606 million from 2018/19.

56. As at 31 March 2020, total rent arrears amounted to £3.922 million (£3.519 million at 31 March 2019) with a bad debt provision of £2.682 million recognised for these amounts.

The level of capital slippage significantly improved during 2019/20, although this still represented 23 per cent of the approved capital programme for the year

57. We reported in the [Best Value Assurance Report \(June 2018\)](#) that there has been a trend of significant levels of capital slippage at the council over a number of years and recommended that the council review its project management processes and consider performing self-assessments to identify areas for improvement. In response to this recommendation the council agreed improvement actions to address the level of slippage. These actions were completed during 2018/19 and the council anticipated these would lead to improvements in the delivery of the capital programme going forward.

58. For 2019/20, the council approved a capital programme of £140.438 million split between £77.722 million for planned general services capital projects and £62.716 million for HRA capital works.

59. Total capital expenditure in 2019/20 was £108.229 million of which £57.079 million related to general services and £51.150 million to the HRA capital programme. This represented total in-year slippage of 32.2 million (23 per cent) with slippage of £20.6 million (27 per cent) against the general services programme and £11.6 million (18 per cent) against the HRA programme.

60. The majority of slippage occurred due to delays in starting individual projects. These delays occurred for various reasons, not all of which were within the council's control, [Exhibit 6](#). However, the nature and scale of some of these delays suggest that there is still a level of optimism bias when setting project start dates for the annual capital programme. When developing future capital programmes officers should ensure they set realistic start dates for each project, and give due consideration to all factors that could impact on the commencement and progress of each project.



[Recommendation 5 \(Appendix 1 - Action Plan\)](#)

61. The overall level of capital slippage of 23 per cent for 2019/20 is a significant improvement on 2018/19 when total slippage was 41 per cent. There is therefore evidence that the actions taken by the council are starting to deliver the intended

improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2020/21.

Exhibit 6

Capital projects reporting significant slippage in 2019/20

Project	Forecast Spend (£m)	Actual Spend (£m)	Slippage (£m) (%)		Explanation for slippage
Vehicle replacement programme	4.605	0.892	3.714	81	Delivery was expected in March 2020 but was delayed due to Covid-19 restrictions.
Posties Park Sports Hub	1.656	0.019	1.637	99	Contract was awarded in August 2019 and physical works were expected to commence in March 2020 but were postponed due to Covid-19 restrictions.
Gruggies Burn	4.305	0	4.305	100	Project approval granted at August 2019 Tendering Committee meeting but commencement delayed as awaiting sign-off by Legal before project can progress
A811 Lomond Bridge	3.653	541	3.112	85	Project contractor approved at August 2019 Tendering Committee meeting. Physical works were expected to commence in October 2019 but this was revised to November 2019 due to time taken with planning consents. These works have now commenced.
Affordable housing programme	33.984	24.421	8.743	26	The delivery of the council's Affordable Housing Supply Programme has a number of complexities and interdependent actions which have impacted on the delivery of the programme.

Source: 2019/20 Capital Programme final outturn reported to August 2020 meeting of West Dunbartonshire Council

62. The Affordable housing programme shown in [Exhibit 6](#) forms part the council's "More Homes Strategy" which aims to deliver over 1,000 new affordable homes within the area over the period to 2021. We will continue to monitor the council's progress against the "More Homes Strategy" during 2020/21.

Missives have been agreed for the Exxon site in Bowling which means that plans to transform the site by creating industrial and commercial development can now be progressed

63. The Glasgow City Region City Deal was the first in Scotland and involves eight councils, including West Dunbartonshire, working together to deliver infrastructure, innovation and employment projects to improve their economic performance. Launched in August 2014, the £1.1 billion deal includes £500 million from the UK and Scottish governments over a 20-year period, plus £130 million from the eight councils. It is estimated that the deal will attract an estimated £3.3 billion of private-sector investment, create 29,000 permanent jobs and increase gross value added – that is, the value of all the goods and services that the region produces without taxes or subsidies – by £2.2 billion per year.

64. West Dunbartonshire Council is one of the smallest councils involved in the City Deal but is an equal partner and plays an active role in the governance

structure. It is represented on all sub-groups and takes the lead on the housing and equalities portfolio.

65. In 2017/18 we reported that the council were developing an infrastructure project as part of the City Deal: the Exxon Site at Bowling. This is anticipated to cost £34.1 million over 7 years with an expected £29.3 million (86%) funded through grants from the UK and Scottish governments and the remaining £4.8 million (14%) funded by contributions from the council. The project includes a proposal to create an industrial and commercial development at the site and plans for a new road to provide an alternative route in and out of West Dunbartonshire.

66. This project supports the council's priority to generate additional employment opportunities in West Dunbartonshire and increase the Gross Value Added (GVA) of the area. It aims to improve job density, which is low within West Dunbartonshire at 0.55 per head, compared with the Scottish average of 0.8 per head. The project should help address the average length of unemployment which is the longest within the City Deal region.

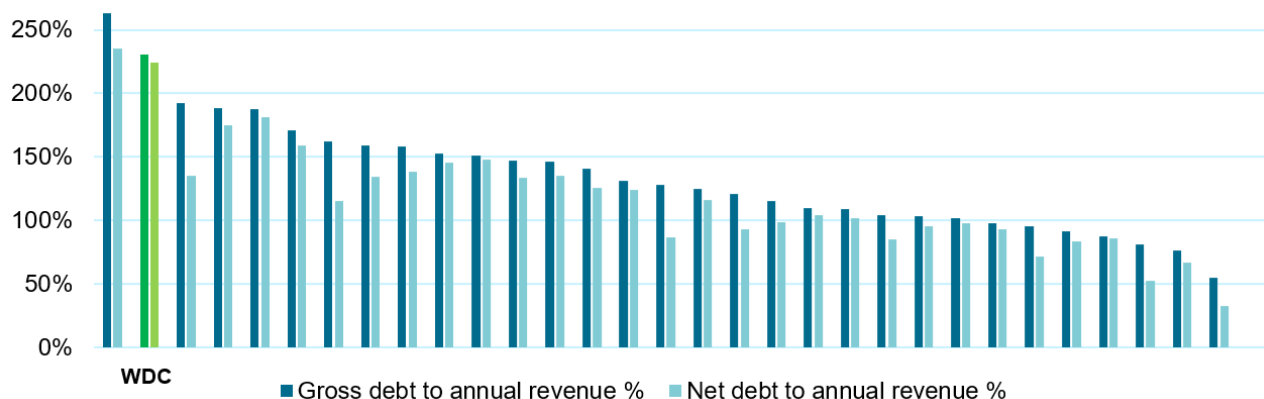
67. A Council report entitled 'ExxonMobil Commercial Agreement' on 24 June 2020 confirmed that a deal to transfer ownership of 150 acres of land at ExxonMobil's former Esso site in Bowling to West Dunbartonshire Council has now been completed. This marks a significant step in the City Deal project and means that the plans to transform the site by creating industrial and commercial development can now be progressed. We will continue to monitor progress with this project and provide an update in 2020/21.

Outstanding loans at 31 March 2020 totalled almost £514 million and the council has high levels of debt relative to annual revenue

68. The council's outstanding loans at 31 March 2020 totalled £513.996 million, an increase of £68.541 million on the previous year. Loan repayments of £201.071 million were made during 2019/20 and new loans of £269.612 million (£50.868 million of new long-term loans and £218.744 million of new short-term loans) were taken out during the year. The additional borrowing was required to help finance the council's capital programme and short-term borrowing was used to take advantage of the continuing low level of interest rates.

Exhibit 7

Gross and net external debt of Scottish local authorities as a percentage of annual revenue for 2019/20



Source: Scottish councils' unaudited 2019/20 accounts (excluding Orkney Islands council)

69. Analysing both gross and net external debt as a proportion of annual revenue gives an indication of the relative indebtedness of the council. [Exhibit 7](#) shows both gross and net external debt as at 31 March 2020 as a percentage of annual revenue (including HRA dwelling rents) for all Scottish councils (excluding Orkney Islands council which has net investments). West Dunbartonshire Council is

highlighted near the upper end of the range of debt levels for both gross external debt and net external debt at 31 March 2020 as a percentage of annual revenue for the year (with net external debt being total external debt less short-term investments). It is recognised that the council's borrowing figure includes debt associated with both the HRA and the council's PPP assets which not all Scottish local authorities have.

Financial systems of internal control operated effectively during the year

70. As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems for recording and processing transactions that provide a sound basis for the preparation of the financial statements.

71. Due to the timing of our work, and the temporary suspension of council meetings as a result of Covid-19, the findings from our interim work were reported in a management letter to the Section 95 Officer on 24 June 2020.

72. We reported five control weaknesses, one of these had an impact on our audit approach. This related to NDR reliefs; from a sample of 15 reliefs selected for testing, no documentation was retained to evidence secondary/supervisory checks. As a consequence, we carried out additional audit work to allow us to obtain the necessary assurances for the audit of the 2019/20 financial statements. Specifically, we carried out additional work on sample testing of NDR reliefs to ensure reliefs were granted correctly. This testing did not identify any errors or issues.

Part 3

Financial sustainability



Main judgements

The council is projecting an overspend against the 2020/21 general fund revenue budget, primarily due to the financial impact of Covid-19.

The council has effective arrangements in place for financial planning that include a long-term financial strategy, however, this will need to be revised to reflect the longer-term financial impact of Covid-19. Additional budget “flexibilities” will be available to Scottish councils in 2020/21 and 2021/22 to mitigate the immediate financial impact of Covid-19.

The council approved the reprofiling of loans fund advance repayments during the year. This has reduced the annual payments made from the general fund and HRA to the loans fund each year but will also result in annual repayments having to be made over a longer period.

The council has a low level of reserves as a proportion of net revenue compared to other Scottish local authorities. The uncommitted general fund balance of £2.752 million at 31 March 2020 was below the target of £4.122 million, set by the Council. This increases the risk that the council will have insufficient reserves to respond to unforeseen events.

As at period 5, an overspend of £2.309 million is projected against the 2020/21 general fund revenue budget, primarily due to the financial impact of Covid-19

73. The ‘General Services Budget Preparation’ paper was presented at the meeting of the Council on 4 March 2020. During the meeting, members approved a 4.84 per cent increase to council tax and a general fund revenue budget of £229.157 million for 2020/21, which was an increase of £6.724 million from the 2019/20 revised budget of £222.433 million. The budget was developed prior to the Covid-19 outbreak in the UK and will require to be revisited throughout the year as more information on the full cost implications, and additional funding, is known.

74. All councils in Scotland were required to submit returns to the Scottish Government setting out the financial pressures resulting from the impact of Covid-19. West Dunbartonshire Council submitted its initial return in May 2020 and full year return in June 2020, and this highlighted that the estimated overall total cost and lost income as a result of Covid-19 from April to June 2020 was £5.463 million, although this was partially offset by reduced costs of £1.363 million over the same period.

75. The financial update and planning report presented to the Council meeting in September 2020 highlighted that, in addition to other minor budget revisions, additional funding of up to £6.319 million has been made available to the council by the Scottish and UK governments in response to Covid-19. Since the budget was approved, additional funding has been provided by Scottish Government and a revised budget of £234.968 million is being monitored based on confirmed funding as at September 2020. Revenue budget monitoring reports for 2020/21 (up to period 5) indicate that the council is projecting a year end overspend of £2.309 million against the revised budget. £2.229 million of this adverse variance is

Financial sustainability looks forward to the medium and longer term to consider whether the council is planning effectively how it will deliver services in the future.

attributable to the financial impact of Covid-19. This £2.229 million projected overspend, as at period five, is on top of the (to date) £6.319 million of additional funding received for Covid-19.

The reduction in housing services activity since April 2020 is likely to result in a significant underspend against the 2020/21 HRA revenue budget

76. A 2020/21 HRA revenue budget of £44.152 million was approved at the March council meeting. The budgetary position for HRA as at period 5 shows a projected underspend of £1.078 million. This favourable variance is almost entirely attributable to a projected underspend of £1.076 million due to reduced operational activity caused by the impact of Covid-19. The projected Covid-19 impact is based upon a range of assumptions as to how services will restart over the remainder of this financial year and what costs will be borne by the HRA.

A long-term financial strategy is in place, but this will need to be revised to reflect the longer-term financial impact of Covid-19

77. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

78. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

79. The council's long-term financial strategy identifies budget pressures and provides clear links to the council's strategic objectives. Given that financial settlements are only made annually, it is difficult for the council to plan with absolute certainty. To address this, the council has included scenario planning (informed by the MTFS) and a risk assessment of the likely impact of any changes in assumptions.

80. The council's annual revenue estimates supplement the long-term strategy and show the projected movement in budget gaps as a result of changes in strategy. Following the setting of the budget in March 2020, the projections identified current expected gaps of £6.051m in 2021/22 and a further £7.017m for 2022/23.

81. In addition, the 2020/21 budget included anticipated capital receipts of approximately £3.4 million from the sale of the Garshake Road and Our Lady & St Patrick High School sites. Given the uncertainty around asset values due to Covid-19, detailed at issue 1 in [Exhibit 3](#), there is a risk that the capital receipts generated from the sale of these sites may be lower than initially anticipated.

82. The long-term financial strategy was developed prior to the Covid-19 outbreak in the UK. This will therefore need to be revised to reflect the longer term impact of Covid-19.



[Recommendation 6 \(Appendix 1 - Action Plan\)](#)

Additional budget “flexibilities” will be available to Scottish councils in 2020/21 and 2021/22 to mitigate the immediate financial impact of Covid-19

83. The Scottish Government Cabinet Secretary for Finance recently wrote to COSLA indicating that the Chief Secretary to the Treasury had agreed some

“flexibilities” to mitigate the immediate financial impact of Covid-19 on Scottish councils. Further details are to be brought forward in the form of statutory guidance and a change to statutory regulations, but councils can now plan on the basis that the following flexibilities will be available:

- Capital receipts may be used to finance Covid-19 revenue expenditure.
- Councils will have the flexibility to amend the accounting treatment of debt included in service concession contracts (for example, public private partnership) contracts, thereby reducing charges to services.
- A Loans Fund repayment holiday will permit councils to defer loans fund repayments due to be repaid in either 2020/21 or 2021/22.

84. The Cabinet Secretary also emphasised that the flexibilities should not be seen as an opportunity to maintain or grow reserves. Councils are expected to consider using reserves to meet Covid-19 funding pressures. It is also expected that councils will first consider the additional resources available from capital receipts and the change in accounting arrangements for service concession contracts before taking advantage of a loans fund repayment holiday.

The council approved the reprofiling of loans fund advance repayments during the year which has reduced the annual payments from the general fund and HRA to the loans fund

85. The [Local Authority \(Capital Finance and Accounting\) \(Scotland\) Regulations 2016](#) (the 2016 Regulations) came into force on 1 April 2016. These Regulations replace the statutory provisions for local authority borrowing, lending and loans funds as set out in Schedule 3 of the Local Authority (Scotland) Act 1975.

86. The 2016 Regulations make provision, inter alia, with respect to the powers of local authorities to borrow money and to maintain loans funds. The loans fund operates like an internal bank: it raises money externally and makes advances to council services, typically for large capital projects. The service repays the amount advanced over a specified number of years. Prior to the introduction of the 2016 Regulations this repayment period was fixed at the outset and was not changeable.

87. The 2016 Regulations allowed flexibility to alter repayment periods subsequent to the initial agreement. The interpretation of the regulations specific to repayment periods and their extension became a matter of contention. Following discussions with CIPFA, CoSLA, the Scottish Government and independent legal experts, Audit Scotland agreed in June 2019 that the 2016 regulations could be applied to pre-April 2016 advances.

88. In February 2020, the council’s finance team approached external audit to discuss their proposals for reprofiling the loans fund repayment periods by moving from the “statutory method” (the method required by the Local Authority (Scotland) Act 1975) to an “asset life method” (matching the repayment period to the economic life of the assets financed via the loans fund advances). We reviewed the proposed approach and underlying calculations and said that the methodology used was permitted under the 2016 Regulations.

89. Officers also advised that, based on the reprofiling, payments from revenue to the loans fund since 1996 of £28.925 million (£19.763 million repayments from the general fund and £9.162 million of repayments from the HRA) would be reversed and the amounts returned from the loans fund to the relevant reserves. Therefore, applying the reprofiling retrospectively. At that time, neither council officers or ourselves identified that this approach did not comply with specific transitional provisions set out in [Local government finance circular 7/2016: Loans Fund Accounting guidance](#) that only permit the change to be applied prospectively, i.e. in respect of repayments made from the date of change. In the council the revised accounting policy became effective in 2019/20 and the changes should have been applied to loans fund payments made from then on. Payments made in earlier

years reflected the accounting policy in place at that time and no restatement of these amounts is permitted.

90. The loans fund reprofiling was approved at the Council meeting on 4 March 2020 as part of the Treasury Management Strategy 2020/21 to 2029/20. In June 2020 we identified that, the previously discussed accounting treatment did not comply with the guidance and that the repayments from the general fund and HRA to the loans fund between 1996 and 2018/19 cannot be revisited. Instead, annual repayments from 2019/20 onwards are to be reduced to reflect the remaining loans fund advance balances being repaid over a longer period than would have been the case under the "statutory method". The impact of the loans fund reprofiling on the annual repayments from the general fund and HRA for 2019/20 and 2020/21 is shown in [Exhibit 8](#).

Exhibit 8

Impact of loans fund reprofiling on annual repayments from general fund and HRA for 2019/20 and 2020/21

Payment description	Original repayment profile (£m)	Revised repayment profile (£m)	Reduction in annual payment (£m)
Annual payment from general fund to loans fund for 2019/20	5.5	0*	5.5
Annual payment from HRA to loans fund for 2019/20	6.7	4.5	2.2
Annual payments from general fund and HRA to loans fund for 2019/20	12.2	4.5	7.7
Annual payment from general fund to loans fund for 2020/21	6.1	1.8	4.3
Annual payment from HRA to loans fund for 2020/21	7.0	4.8	2.2
Annual payments from general fund and HRA to loans fund for 2020/21	13.1	6.6	6.5

* As explained at issue 3 in [Exhibit 3](#), the reprofiled payment due from the general fund to the loans fund during 2019/20 was £1.6 million but the actual payment made was zero.

Source: West Dunbartonshire Council 2019/20 Annual Accounts working papers

91. While the loans fund reprofiling has reduced the annual repayments due from the general fund and HRA to the loans fund each year, the total principal to be repaid is unaffected by the change. It should be noted however that the reprofiling means that annual repayments will require to be made over a longer period than would have been the case under the "statutory method". In addition, the council will incur additional interest charges due to repaying the advances over a longer period than the original repayment profile.

The uncommitted general fund balance of £2.752 million at 31 March 2020 was below the prudential reserve target of £4.122 million, set by the Council for 2019/20

92. The CIPFA Local Authority Accounting Panel (LAAP) bulletin 99 provides guidance on the establishment and maintenance of reserves. It does not prescribe level of reserves, but instead places the responsibility on the chief finance officer to advise the Council on the creation and level of reserves appropriate to its circumstances. The bulletin states that reserves can be held for three main purposes:

- a working balance to help cushion the impact of uneven cash flows
- a contingency to cushion the impact of unexpected events

- a means of building up funds, often referred to as “earmarked” reserves to meet known or predicted requirements.

93. The level of usable reserves held by the council decreased by £0.257 million, from £16.091 million to £15.834 million, during 2019/20 as shown in [Exhibit 9](#).

Exhibit 9

West Dunbartonshire Council usable reserves

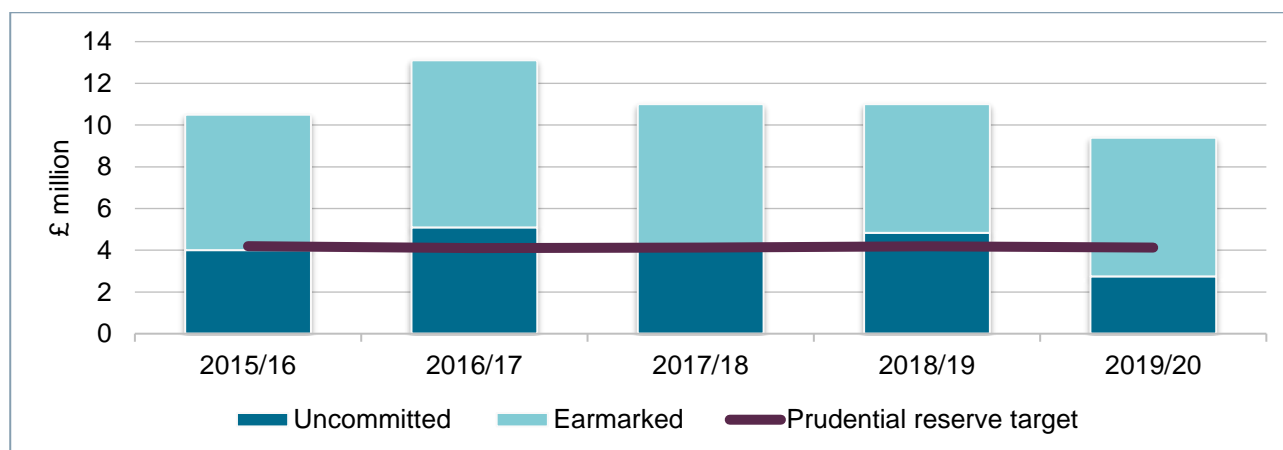
Reserve	31 March 2019 (£m)	31 March 2020 (£m)
General fund	10.998	9.395
Housing revenue account reserve	1.606	3.924
Capital grants and receipts unapplied account	0.278	0.132
Capital reserve	2.847	2.169
Other reserves	0.362	0.214
Total usable reserves	16.091	15.834

Source: West Dunbartonshire Council Annual Accounts 2019/20

94. [Exhibit 10](#) provides an analysis of the general fund balance over the last five years split between the earmarked and uncommitted elements.

Exhibit 10

Analysis of general fund balance over last five years



Source: West Dunbartonshire Council Annual Accounts 2015/16 to 2019/20

95. The council's approved reserves strategy specifies that there should be a prudential reserve of 2% of net adjusted expenditure to safeguard assets and services against financial risk. This equates to £4.122 million for 2019/20. The uncommitted general fund balance of £2.752 million at 31 March 2020 was significantly below this target. We note that the change in accounting treatment for the loans fund review, paragraph [90](#), has impacted on the year end reserves position for 2019/20. However, as reported in prior years, the council also has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities. This increases the risk that the council will have insufficient reserves to respond to unforeseen events or reductions in future funding.



The council has prepared guidance on the development of business cases for capital projects to support the delivery of the Capital Strategy 2020/21-2029/30

96. In December 2017, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued revised Prudential and Treasury Management Codes. These included a requirement from 2019/20 for all local authorities to prepare a Capital Strategy to provide:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed, and
- the implications for future financial sustainability.

97. The first Capital Strategy was presented to Council in March 2019 and the first annual update of the strategy was presented to Council in March 2020. The updated Capital Strategy covers the period 2020/21-2029/30.

98. The previous Capital Strategy included an action plan with five actions, most of which are ongoing or due at a future point. There was one action which was due in 2019 relating to the preparation of guidance on the development of business cases for capital projects. This was completed and agreed for use by the Strategic Asset Management Group in August 2019 as required.

99. It should be noted that continued improvement in the delivery of the annual capital programmes, discussed at paragraphs [57-61](#), will be essential to the successful delivery of the Capital Strategy.

An “European Union Exit Assurance” plan was agreed by the Council in January 2020

100. We reported in the 2018/19 Annual Audit Report that following a Regional Workshop on 6 February 2019, the council's Resilience Group decided that the council should prepare a bespoke EU Exit Assurance Action Plan. This would be based upon the Scottish Planning Assumptions, to set out the key risks to the council and the mitigating actions to address these.

101. The European Union Exit Assurance plan was presented to the Council at the January 2020 meeting. The plan includes 20 broad risks along with the relevant impact for West Dunbartonshire with the mitigating actions and any relevant comments. The document will remain live on the council's website and will be regularly updated throughout the response to any “No Deal” EU Exit, or delay of Article 50. The council has also kept staff and elected members informed of developments in this area and the steps being taken to prepare for the potential impacts.

Part 4

Governance and transparency



Main Judgements

The council had effective governance arrangements in place during 2019/20. The Covid-19 pandemic has impacted on these arrangements, but we have concluded that the revised arrangements are appropriate and continue to support good governance and accountability.

Regular cross party meetings were held to share updates on the developments on the Covid-19 pandemic. Members were also kept up to date through regular and comprehensive briefing papers. These included responses to members questions to ensure that all members have the most up-to-date information for any queries raised.

Effective governance arrangements were in place during 2019/20

102. Our previous year's conclusion is still relevant, that "effective governance arrangements are in place in the council", as there have been no significant change during 2019/20, with the exception of specific comments below on the response to the Covid-19 outbreak since March 2020.

The Covid-19 pandemic has impacted on governance arrangements since March 2020, but we have concluded that the revised arrangements are appropriate and continue to support good governance and accountability

103. The impact of Covid-19 from March 2020 has been set out in the Annual Governance Statement in the council's annual report and accounts. These allowed the council to manage the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow council staff to prioritise their response to the outbreak:

- Council and committee meetings were agreed to be cancelled up until the end of June 2020, with additional powers delegated to senior officers. The council's existing scheme of governance was used to enable decisions to be taken which would normally be taken by committee.
- Decisions taken by the Strategic Resilience Group have been maintained within a decision log to ensure a clear audit trail of all decisions made.
- Regular elected member briefings and summary FAQs have been reported to all elected members.
- Regular cross party meetings were held to further share updates on the developments on the pandemic.

104. Meetings of the Council and the Audit Committee have been held remotely since April 2020 to allow members to undertake their scrutiny role, with regular Covid-19 updates reported. The Council meetings are streamed live, and recordings are available after the meetings. We have concluded that the revised arrangements are appropriate and continue to support good governance and accountability.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Good Practice – Covid-19 member briefings

Since March 2020 the council has produced regular and comprehensive member briefings to keep them abreast of developments in relation to Covid-19 and how this is impacting on the delivery of services across West Dunbartonshire. These include responses to members questions to ensure that all members have the most up-to-date information for any queries raised.

Internal audit complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS)

105. The internal audit function at West Dunbartonshire Council is provided by its in-house internal audit team. There has been a change in the internal audit management arrangements during 2019/20. The Head of Internal Audit retired at the end of 2019 and was replaced by the Internal Audit Manager from Inverclyde Council who is now performing this role for both councils as part of shared management arrangement.

106. Each year we consider whether we can rely on internal audit work to avoid duplication of work, and as part of our planning process we reviewed the council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors).

107. Our assessment of the internal audit function concluded that it has sound documentation and standards of reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

108. During the year, there was some slippage against the 2019/20 Internal Audit Plan. This meant that we were unable to place reliance on the Housing rents calculation and collection internal audit review as planned. However, this was communicated to the external audit team by the Internal Audit Manager at an early stage which enabled us to undertake additional audit work in these areas. At the time of writing this report, two Internal Audits remain outstanding (Cyber Security and Third-Party Providers), it is anticipated these will be completed by December 2020. The slippage did not impact the assurances provided to the Section 95 Officer which inform the Annual Governance Statement as the new Head of Internal Audit completed a risk based analysis of the audits to be completed, once taking up the position.

Our recommendations from the *Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services* have been actioned. The publication of the Annual Procurement Report was delayed due to Covid-19, in line with flexibility allowed by the Scottish Government.

109. As highlighted in the 2018/19 Annual Audit Report an Internal Audit report to the Audit Committee in December 2018 identified weaknesses in the council's procurement arrangements within Roads and Greenspace. It highlighted that a number of procurement processes had been completed without following the council's Financial Regulations.

110. As part of our audit responsibilities, we completed an [*Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services \(April 2019\)*](#). The findings were reported to a special meeting of the Council on 14 May 2019. Our review confirmed the weaknesses already reported by internal audit and identified further breaches of procurement policies and the financial regulations.

111. As part of the approved Internal Audit Plan for 2019/20 a follow-up audit on procurement was undertaken. This found that audit actions have been implemented by management, but a number of further improvements are required

within Roads and Greenspace. As a result, the follow-up Internal Audit report produced a number of further recommendations. Internal Audit has since reported that these recommendations have also been followed up and all actions have been completed.

112. During the year we also followed up on the recommendations from our report and confirmed that all had been actioned.

113. The publication of the Annual Procurement Report for 2019/20 was delayed until November 2020, in line with agreed extended deadlines from the Scottish Government, due to the Covid-19 pandemic. We reviewed the report and found that for 2019/20 spend data, of the £152.239 million regulated procurement expenditure, £138.854 million or 91.2 per cent was compliant (79.7 per cent for 2018/19). The analysis of spend also identified that of a total spend of £172.730m, 90.7% complied with the Council's Financial Regulations. This compares to the 2018/19 compliance rate of 77.2%. The Council has set themselves a compliance rate target of 100 per cent for 2020/21. We will continue to monitor and report on this area in 2020/21.

The council has engaged positively with the National Fraud Initiative

114. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

115. As at 8 October 2020, 5,586 matches had been processed, with 14 cases still open and under investigation. The exercise has resulted in 37 frauds and 146 errors being identified, with savings totalling £73,178.

116. The council has made good progress investigating the matches from the latest NFI exercise and recognise the NFI as a vital element of the council's approach to tackling fraud and corruption. The annual counter fraud update report also includes NFI statistics and updates to ensure members are kept informed of progress. We have concluded that the council has engaged positively with the NFI.

Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate

117. The council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities. Furthermore, it is also responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

118. We have reviewed the arrangements in place to maintain standards of conduct including the council's financial regulations, counter fraud and corruption strategy and whistleblowing policy. There are established procedures for preventing and detecting any breaches of these standards including any instances of corruption.

119. We concluded that the council has appropriate arrangements in place for the prevention and detection of fraud, error and irregularities. We are not aware of any specific issues that we need to bring to your attention.

Part 5

Best Value



Main judgements

Good progress has been made in addressing the recommendations from the Best Value Assurance Report (June 2018) with all five recommendations now implemented. We will continue to monitor the longer-term impact of the improvements made.

The council demonstrates a clear focus on delivering Best Value and there is evidence of continuous improvement in its services over time.

The council has effective systems in place to monitor performance and drive continuous improvement, which support scrutiny of service performance. The council reported that 55 per cent of strategic indicators were on target during 2019/20, but 15 per cent were significantly below target.

The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality will be exacerbated by the impact of Covid-19. The impact on service performance during 2020/21 will be reported in next year's annual audit report.

Overall, performance against national indicators has improved in recent years and the rate of improvement of West Dunbartonshire Council is slightly above the national trend.

The council's Best Value Assurance Report was published in June 2018 and highlighted that the council demonstrates a clear focus on delivering Best Value and there was evidence of continuous improvement in its services. This remains the case.

120. Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five-year period.

121. The *Best Value Assurance Report (June 2018)* for West Dunbartonshire Council was published on 28 June 2018 and reported that the council had made significant improvements in how it works since the previous Best Value report in 2007. It highlighted that the council now demonstrates a focus on delivering Best Value and there was evidence of continuous improvement in its services. The report also included five recommendations which were endorsed by the Accounts Commission.

122. At its meeting on 29 August 2018, the council agreed a Best Value Assurance Improvement Plan which included actions to address all recommendations included in the BVAR. An update against the plan was reported to the Council meeting in February 2020. It noted that all recommendations within the BVAR Improvement Plan had been fully delivered and activity on driving Best Value will continue.

123. This section of the report provides a summary of the progress made against the BVAR recommendations. It also covers other audit findings relating to the audit dimension of Value for Money, referred to in [Exhibit 1](#).

Best Value is concerned with using resources effectively and continually improving services.

Good progress has been made in implementing the recommendations from the BVAR

124. We reported in our 2018/19 Annual Audit Report that two of the BVAR recommendations, relating to workforce plans and cross-party working, had been fully addressed and progress was being made against the other three recommendations. [Exhibit 11](#) sets out our view on the progress made against the three remaining BVAR recommendations and shows that a further recommendation has now been fully completed. We will continue to monitor progress against the two ongoing recommendations as part of our 2020/21 audit.

Exhibit 11 Progress against BVAR recommendations

Recommendation	Audit Scotland view on progress to date
To reduce the level of slippage on the capital plan, the council should review its project management processes.	<p>Ongoing</p> <p>We reported in 2018/19 that the council had completed the four improvement actions in the BVAR Improvement Plan relating to capital slippage and anticipated these would lead to improvements in the delivery of capital projects going forward.</p> <p>As detailed at paragraphs 57-61, during 2019/20 the council approved a capital programme of £140.438 million, £77.722 million for planned general services capital projects and £62.716 million for HRA projects. Against this it reported actual in year spend of £108.229 million which represented slippage of 23 per cent. This is a significant improvement on the slippage reported in 2018/19 of 41 per cent. However, there is still a requirement to improve the delivery of capital projects to time and budget.</p> <p>We will continue to monitor progress in this area during 2020/21 but we are aware that the delivery of capital projects will be significantly affected by the impact of Covid-19 and will require to be considered within that context.</p>
Some staff are finding the pace of change challenging and staff absence remains an issue. The council is taking positive steps to try and address this and should continue to explore opportunities for improvement.	<p>Ongoing</p> <p>We reported in 2018/19 that the council had taken a range of action to support staff and tackle sickness absence levels. The impact of these actions had not yet been reflected in the reported sickness absence figures, but we accepted that delivering such improvement would be a longer-term process.</p> <p>The latest Local Government Benchmarking Framework data published showed that sickness absence levels increased during 2018/19 with the number of days lost to absence for non-teachers being the ninth highest of any Scottish local authority. However, the council's 2019/20 Annual Performance Report highlighted that sickness absence levels have reduced for both teachers and non-teachers during the year, with a 14 per cent reduction in the total number of days lost to absence.</p> <p>We will continue to monitor progress in this area during 2020/21 to ensure that the reported improvement and positive direction of travel is maintained going forward.</p>
The Community Alliance brings together representatives from neighbourhood, interest and user groups. The council sees it as an important engagement link with the community but there are a number of challenges that it needs to address. The council should continue to offer help to further develop the role of the CA and help it reach its full potential.	<p>Complete</p> <p>We reported in 2018/19 that a draft Community Empowerment Strategy and Action Plan had been developed in consultation with a range of stakeholders, and resident feedback was being gathered via community events and an online survey. The feedback received was to be reflected in the final Community Empowerment Strategy and Action Plan which was expected to be published in November 2019.</p> <p>The West Dunbartonshire Community Empowerment Strategy and Action Plan was approved by the Council at their meeting on 27 November 2019. At the same meeting the Council also approved the development of a detailed delivery plan and the official launch of the strategy in January 2020. The delivery of the strategy will be monitored by the Empowered Delivery and Improvement Group.</p>

The council has effective systems in place to monitor performance and drive continuous improvement, which support scrutiny of service performance

125. The council's performance management arrangements were considered in the BVAR. We identified that the council has effective systems in place to monitor performance and drive continuous improvement.

126. We also concluded that members and officers effectively scrutinised how services perform and highlighted that:

- Each Strategic Service Management Team considers performance reports during routine management meetings.
- The Performance Monitoring and Review Group considers regular reports from across strategic areas through its online performance management system, Pentana. This monitors the performance indicators linked to the strategic plan.
- Service committees meet every quarter and get regular performance information.
- Service performance is reviewed through the Corporate Services Committee, Education Services Committee, Housing and Communities Committee and Infrastructure, Regeneration & Economic Development Committee and annually through the council.
- Officers and councillors have a good understanding of what the council has achieved and the challenges that remain.

127. Based on our attendance at Council and committee meetings during 2019/20 we have concluded that these performance monitoring and reporting arrangements continue to operate effectively and support scrutiny of service performance.

The council reported that 55 per cent of strategic indicators were on target during 2019/20, but 15 per cent were significantly below target

128. The Council's Strategic Plan 2017-22 contains five-year targets with monitoring and reporting on progress annually. Targets are set from a baseline and reviewed over time. Each target has annual milestones and performance against these is reported to the full Council each year. These measures are considered the most relevant for evidencing the delivery of the key priority and outcome areas defined in the Strategic Plan.

129. The 2019/20 Annual Performance Report was taken to the Council meeting on 30 September 2020. This reported on progress against the milestones set for 2019/20 for the suite of 40 performance targets and showed that 55 per cent of targets were achieved during the year (down from 68 per cent in 2018/19) with 12 (30 per cent) of the targets narrowly missed and 6 (15 per cent) significantly missed, [Exhibit 12](#).

Exhibit 12

Performance against Strategic Plan key priority and outcome areas

Strategic Area	2018/19						2019/20					
	Green		Amber		Red		Green		Amber		Red	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
A strong local economy and improved job opportunities	6	60	4	40	0	0	6	60	3	30	1	10
Supported individuals, families and carers living independently and with dignity	6	86	1	14	0	0	5	71	1	14	1	14
Meaningful engagement with active, empowered and informed citizens who feel safe and engaged	2	33	2	33	2	33	2	33	3	50	1	17
Open, accountable & accessible local government	5	100	0	0	0	0	5	100	0	0	0	0
Efficient and effective frontline services that improve the everyday lives of residents	8	67	0	0	4	33	4	33	5	42	3	25
Total	27	68	7	18	6	15	22	55	12	30	6	15

KEY: Green – Target met / Amber – Target narrowly missed / Red – Target significantly missed

Source: West Dunbartonshire Council Strategic Plan Year-End Progress Reports 2018/19 and 2019/20

The challenge faced by the council in tackling underperformance linked to levels of poverty and inequality will be exacerbated by the impact of Covid-19

130. From review of the underlying performance data for the 2019/20 Annual Performance Report we noted good progress has been made in a number of areas including:

- reducing the percentage of children living in poverty (after housing costs) from 26.5 per cent in 2018/19 to 25 per cent in 2019/20, and
- reducing sickness absence days per teacher from 6.24 days in 2018/19 to 5.46 days in 2019/20.

131. However, there remains particular challenges in the following areas:

- Average total tariff performance of children from Scottish Index of Multiple Deprivation (SIMD) quintiles 1 and 2 (i.e. most deprived groups),
- Percentage of households that are workless, and
- Percentage of household in fuel poverty.

132. Performance in all these areas is closely linked to the levels of poverty and inequality across West Dunbartonshire. The challenge of addressing these areas of underperformance, and maintaining good performance in other areas, will be exacerbated by the impact of Covid-19.

Overall, performance against national indicators has improved in recent years and the rate of improvement of West Dunbartonshire Council is slightly above the national trend

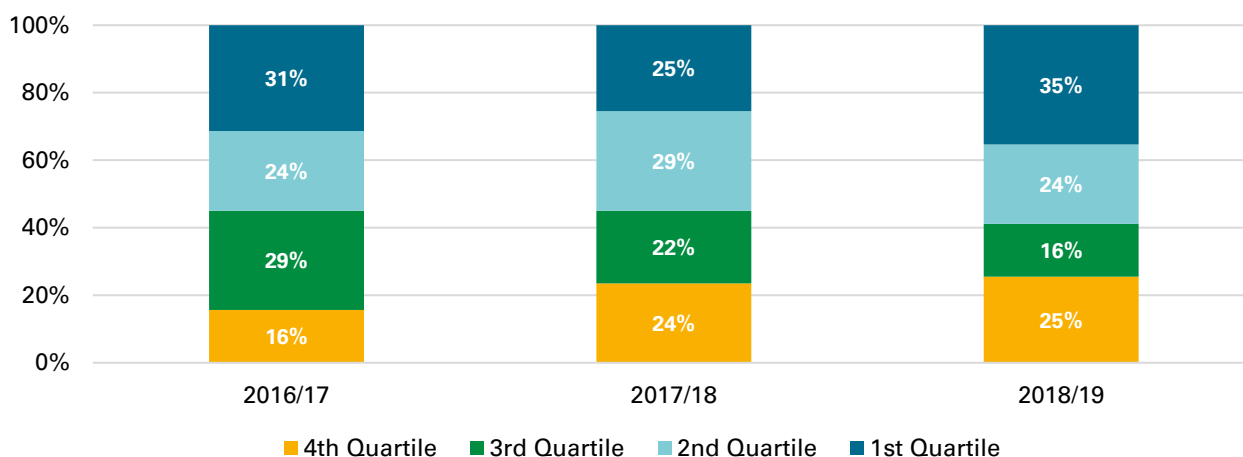
133. The [Local Government Benchmarking Framework](#) (LGBF) brings together a wide range of information about how all Scottish councils perform in delivering services, including cost of services and residents' satisfaction. The framework enables the council to compare its performance against the Scottish average and other councils. The 2018/19 LGBF data published by the Improvement Service in April 2020 has been used for the analysis in this report.

134. The BVAR reviewed LGBF performance reported up to 2016/17 and identified that, overall, the council's performance against national indicators had improved between 2011/12 and 2016/17, but at a slower rate than some other councils in certain areas.

135. In order to assess the council's comparative performance since the BVAR was undertaken we reviewed its LGBF performance against that of the other 31 Scottish local authorities during 2017/18 and 2018/19. Although there are over 70 performance indicators in the LGBF, our analysis is based on the 51 single-year indicators measuring performance rather than cost, as there may be some ambiguity in the judgement of whether an increased cost is good or bad for certain indicators. Therefore, the focus of our analysis is on outcomes based indicators where relative performance can be categorically measured.

136. [Exhibit 13](#) shows the council's pace of improvement since 2016/17 compared to Scotland as a whole. This shows that the number of indicators in the lowest quartile has increased (from 16 per cent to 25 per cent) but the number of indicators in the top two quartiles has also increased (from 55 per cent to 59 per cent) over the same period. The underlying performance data shows that overall performance of all Scottish councils has improved over the last two years, and the rate of improvement of West Dunbartonshire Council is slightly above the national trend.

Exhibit 13 Comparative LGBF performance over time



Note: Measuring council performance involves considering how all councils are performing, from lowest to highest for each indicator. From this it is possible to see how one council compares to all councils. Relative performance against other councils is divided into four equal bands, or quartiles. The first quartile contains the best-performing councils for that indicator and the fourth quartile contains the poorest performing councils.

Source: Audit Scotland; and Local Government Benchmarking Framework, Improvement Service, 2018/19

Residents of West Dunbartonshire are generally satisfied with how services are being delivered, with satisfaction levels with local schools being the highest in Scotland

137. The LGBF data includes indicators that assess residents' satisfaction with local services provided by the council and West Dunbartonshire Leisure Trust. These are based on results from national surveys. The latest LGBF data shows that the council's performance was in the top half for all seven of the satisfaction indicators, [Exhibit 14](#), with satisfaction levels with local schools being the highest in Scotland.

138. The council also carries out its own customer satisfaction surveys with service users, and the results from those surveys show similar satisfaction rates. This demonstrates that residents understand the challenges faced by the council and are generally satisfied with how services are being delivered. Positive performance against these indicators also indicates a council that engages and communicates well with residents and local communities.

Exhibit 14

Performance against LGBF service satisfaction indicators

Indicator	Satisfaction level (%)	Ranking out of 32 Scottish local authorities	Range of performance across local authorities (%)
Adults satisfied with local schools	89	1st	59-89
Adults satisfied with refuse collection	83	12th	59-90
Adults satisfied with street cleaning	72	9th	56-79
Adults satisfied with leisure facilities	73	13th	40-89
Adults satisfied with libraries	86	3rd	53-91
Adults satisfied with museums and galleries	76	8th	42-91
Adults satisfied with parks and open spaces	89	6th	54-92

Note: Satisfaction levels are based on average responses to Scottish Household Surveys for 2016 to 2019.

Source: Audit Scotland; and Local Government Benchmarking Framework, Improvement Service, 2018/19

The latest staff survey results showed improvements in a number of areas compared to previous years, but also a marked decline in the proportion of respondents who believe they are treated fairly and consistently at work

139. The council performs an employee survey every two years. The latest survey was completed in 2019 and included 18 questions covering three categories: My Role, Service and Direct Line Management, and Communication and Consultation; as well as a further question on employee's overall view of working for the council.

140. The survey was issued to all council staff and generated a response rate of 40 per cent. This was a significantly lower response rate than the previous survey conducted in 2017 which had a response rate of 53 per cent.

141. The 2019 survey results showed positive responses in a number of areas, with the majority of employees strongly agreeing that they understand their role and responsibilities (92 per cent) and their direct line manager is approachable (90 per cent). There have also been improvements in a number areas compared to previous years with 65 per cent of respondents now saying they feel appreciated

and valued for the work they do, up from 57 per cent in 2017; and 54 per cent confirming they are asked their views when change is taking place that directly affects them, up from 46 per cent in 2017.

142. However, the results also showed that respondents remain less positive about having regular one-to-one meetings which focus on their development, down from 59 per cent in 2017 to 58 per cent in 2019. There was also a marked decline in the proportion of respondents who believe they are treated fairly and consistently at work, down from 84 per cent in 2017 to 78 per cent in 2019. Despite this, 70 per cent of employees still responded that they would recommend their service to a friend or colleague as a good place to work.

143. The results of the staff survey have informed actions at a service and team level which will be monitored and reported to committee through service delivery plans.

The council developed a workforce resilience database to support service delivery following the Covid-19 outbreak in March 2020

144. During late March, officers assessed the different roles across the organisation and determined the roles which needed to be delivered through physical attendance and those that could be delivered remotely. A workforce resilience database was also developed which included numbers available across all essential services to ensure an acceptable level of provision was maintained.

145. For employees working remotely, officers carried out work to understand what equipment was needed to allow them to work from home. This included implementation of a process for employees to access any office equipment they may need at home as well as ensuring employees complete a DSE (display screen equipment) assessment on their workspace so the necessary support and adaptations could be undertaken.

146. The council have invested in a programme called “Trickle” to support engagement, communications, wellbeing and resilience. This application allows frontline employees to share how they are feeling, thank a colleague, suggest an idea or ask a question. It is disseminated to staff via their mobile phones. In addition, the council have also added Care@Home, Hospital Discharge and CAS teams to this programme and have plans to roll out the application across the council.

147. Through actioning the Wellbeing Strategy, the council now have approximately 70 wellbeing Advocates who promote support tools currently in place and listen to feedback on what would help and how best to provide this. WDC have also provided increased mental health support via webinars from and increased mental health support and counselling. Due to this work, WDC have been shortlisted in HR Excellence for best Health & Wellbeing Strategy, up against large private sector companies

The council has complied with the requirements set out in the Statutory Performance Information direction issued by the Accounts Commission

148. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

149. The Commission issued a revised [*Statutory Performance Information Direction*](#) in December 2018, effective for financial years 2019/20, 2020/21 and 2021/22. This outlines two new indicators that require each council to publish a range of information in the following areas for performance comparison and benchmarking purposes:

- **Statutory Performance Indicator 1: Improving local services and local outcomes**

- Performance in improving local public services, provided by both (i) the council itself and (ii) by the council in conjunction with its partners and communities.
- Progress against the desired outcomes agreed with its partners and communities.

The Commission requires the council to report such information to allow comparison (i) over time and (ii) with other similar bodies. The Commission requires the council to report on information drawn from the Local Government Benchmarking Framework in particular and from other benchmarking activities.

- **Statutory Performance Indicator 2: Demonstrating Best Value**

- The council's assessment of how it is performing against its duty of Best Value, and how it plans to improve against this assessment.
- Audit assessments of its performance against its Best Value duty, and how it has responded to these assessments.
- In particular, how it (in conjunction with its partners as appropriate) has engaged with and responded to its diverse communities.

150. West Dunbartonshire Council continue to participate in the Local Government Benchmarking Framework and publish this data and a range of other performance information on the council website that adequately covers the requirements set out in the SPI direction issued by the Accounts Commission. As noted above, the council agreed a Best Value Assurance Improvement Plan in response to the 2018 BVAR and progress was reported to Council in February 2020.

The council's website is partially compliant with the Public Sector Bodies Accessibility Regulations 2018, and management are taking action to ensure full compliance as soon as possible

151. The Public Sector Bodies (Websites and Mobile Applications) (No. 2) Accessibility Regulations 2018 have been introduced to improve the accessibility of public sector websites and mobile apps. The regulations build on the obligations of public sector bodies equalities duties and require public sector websites and mobile apps to be more accessible by making sure they can be used by as many people as possible. This includes those with impaired vision, motor difficulties, cognitive impairments or learning disabilities, and deafness or impaired hearing.

152. A website will satisfy the requirements of the regulations if it meets the criteria set out in the international Web Content Accessibility Guidelines (WCAG) and includes an accessibility statement that explains how accessible the site is. The deadline for meeting the requirements for those public sector bodies with an existing website was 23 September 2020.

153. The latest review of the accessibility of the council website was completed on 22 September 2020. This noted that the website is partially compliant with the WCAG standard. The area of non-compliance related to PDF documents on the website not meeting the accessibility standards – for example, they may not be structured so they're accessible to a screen reader. This does not meet WCAG 2.1 success criterion 4.1.2.

154. Management has advised that all new PDFs uploaded to the website are compliant with the accessibility standards and the issue relates to historical documents available on the website. In addition, PDFs over two years old are also exempt from the accessibility standard so the council is currently working through the PDFs that are less than two years old and are required for a service to ensure these are updated to meet the standard.

National performance audit reports

155. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20 we published reports which may be of interest to the council. These are listed in [Appendix 3](#).

Appendix 1

Action plan 2019/20



No.	Issue/risk	Recommendation	Agreed management action/timing
Recommendations for West Dunbartonshire Council			
1	<p>General fund loans fund repayment</p> <p>The scheduled loans fund repayments were adjusted by £1.6 million to mitigate the impact of budget pressures.</p> <p><i>The loans fund repayments do not comply with the council's accounting policy. This is reported as an unadjusted misstatement in the accounts.</i></p>	<p>Management should review the scheduling of the general fund loans fund repayments to ensure they comply with the council's accounting policy.</p>	<p>The council accepts audit's view and will review the loans fund repayment scheduling in 2020/21. The 'asset life method' will be consistently applied across the repayment periods from 2020/21.</p> <p>Responsible officer: Strategic Lead - Resources</p> <p>Agreed date: 31 March 2021</p>
2	<p>Untaken annual leave accrual</p> <p>Our review of the untaken annual leave accrual identified an error within the calculations. 17 members of staff were duplicated within two tabs. This resulted in a decrease of £85,000 in the accrual.</p> <p><i>There is a risk that the annual leave accrual is not properly calculated.</i></p>	<p>Management should review its procedures for calculating the annual leave accrual.</p> <p>Exhibit 3 – Issue 6</p>	<p>Officers will review the current procedures and introduce additional checks to reduce risk of future errors</p> <p>Responsible officer: Finance Manager</p> <p>Agreed date: 31 December 2020</p>
3	<p>Financial guarantees</p> <p>West Dunbartonshire Council issued letters of comfort to both West Dunbartonshire Leisure Trust and Clydebank Property Company.</p> <p>These letters were provided due to the ongoing circumstances surrounding Covid-19 and constitute as financial guarantees. However, the detail had not been included in the annual accounts.</p> <p><i>There is a risk that the annual accounts are not complete and transparent.</i></p>	<p>Management should ensure that details of any financial guarantees provided are adequately disclosed within the annual accounts.</p> <p>Exhibit 3 – Issue 7</p>	<p>Officers will review the current procedures to reduce risk of future errors</p> <p>Responsible officer: Finance Manager</p> <p>Agreed date: 31 January 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
Recommendations for West Dunbartonshire Council			
4	<p>Debtors and creditors overstatement</p> <p>After the submission of the unaudited accounts, the council identified an error within receivables and payables. Both were overstated by £0.670 million, resulting in a nil net effect.</p> <p><i>There is a risk that the figures in the Balance Sheet are overstated.</i></p>	<p>Management should review the year-end procedures to ensure that journals are correctly posted.</p> <p>Exhibit 3 – Issue 8</p>	<p>Officers will review the current procedures and introduce additional checks to reduce risk of future errors</p> <p>Responsible officer: Finance Manager</p> <p>Agreed date: 28 February 2021</p>
5	<p>Capital project delays</p> <p>There were significant delays in a number of capital projects during 2019/20. The nature and scale of some of these delays suggest that there is still a level of optimism bias when setting project start dates for the annual capital programme.</p> <p><i>There is a risk that the delivery of the annual capital programme is impacted by unrealistic or overly optimistic scheduling.</i></p>	<p>When developing future capital programmes officers should ensure they set realistic start dates for each project, and give due consideration to all factors that could impact on the commencement and progress of each project.</p> <p>Paragraph 60</p>	<p>The Council has a process in place to consider timing of spend and build in the effects of optimism bias in the phasing of the projects.</p> <p>Finance officers, when compiling future capital programmes will continue to seek assurances from relevant capital programme officers and project leads that the phasing identified is realistic and optimism bias has been considered, in line with the Council's agreed capital planning process.</p> <p>Responsible officer: Finance Manager</p> <p>Agreed date: 4 March 2021</p>
6	<p>Revised financial plans to reflect Covid-19</p> <p>The council's long-term financial strategy was developed prior to the Covid-19 pandemic.</p> <p><i>The assumptions made in the Council's long-term financial strategy are out of date as they do not take into account the financial impact of Covid-19.</i></p>	<p>The council should review its long-term financial strategy to reflect the impact of Covid-19 on the council's finances going forward, including scenario planning of key financial assumptions.</p> <p>Paragraph 82</p>	<p>Long term finance strategy is due to be updated and reported to Council in November 2020 and will consider the impact of covid-19 and include scenario planning of key financial assumptions, and will continue to be reviewed via Budget Update and Setting reports to Council ahead of setting the Council budget in March 2021</p> <p>Responsible officer: Strategic Lead - Resources</p> <p>Agreed date: 31 March 2021</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
Recommendations for West Dunbartonshire Council			
7	<p>Uncommitted general fund balance</p> <p>The uncommitted general fund balance of £2.752 million at 31 March 2020 was below the prudential reserve target of £4.122 million, set by the Council for 2019/20. In addition, Covid-19 is placing a significant financial pressure on the council during 2020/21.</p> <p><i>There is a risk that the council will not have sufficient free reserves to respond to future unforeseen events.</i></p>	<p>The Council should consider how the uncommitted general fund balance could be increased back to the prudential reserve target.</p> <p>Paragraph 95</p>	<p>The general fund uncommitted reserve balance will be considered as part of the long-term finance strategy and budget process 2021/22</p> <p>Responsible officer: Strategic Lead - Resources</p> <p>Agreed date: 31 March 2021</p>
Recommendations for charities administered by West Dunbartonshire Council			
CH1	<p>Governance and investment documentation</p> <p>As previously reported:</p> <ul style="list-style-type: none"> The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE award require to be updated. The governing documentation for the McAuley Price for Mathematics is not available and a new trust deed required. <p><i>There is a risk that the Trust does not hold the title to the investment. There is also a risk of delay in issuing awards.</i></p>	<p>Management should progress these issues to ensure that adequate governance and investment document is maintained for all trust funds administered by West Dunbartonshire Council.</p> <p>Paragraphs 41 and 42</p>	<p>Officers continue to work with other Councils involved in these Funds to reach a satisfactory conclusion</p> <p>Responsible officer: Section Head – Legal Services</p> <p>Agreed date: 31 March 2021</p>
CH 2	<p>Dormant trusts</p> <p>As previously reported, some of the trusts have been dormant for a number of years and annual activity on all trusts is minimal.</p>	<p>The council should investigate whether schemes of amalgamation and rationalisation of trust funds could be prepared that would allow, through the alteration of objects and the merging and de-restriction of funds, increased flexibility in terms of potential beneficiaries and awards.</p> <p>Paragraphs 41 and 42</p>	<p>Officers will continue to review options around the dormant funds and action as appropriate</p> <p>Responsible officer: Section Head - Legal Services</p> <p>Agreed date: 31 March 2021</p>



No. Issue/risk

Recommendation

Agreed management action/timing

Recommendations for West Dunbartonshire Council

CH 3 Advertisement of trusts

There is minimal information available regarding the trusts, or the application process to access funds, on the West Dunbartonshire Council website.

There is a risk that this will perpetuate the dormancy of the trusts if information can not be easily accessed.

The Council should publicly advertise the trusts through their website to encourage funding applications.

[Paragraph 43](#)

The Council will take action to increase any advertising of Trust funds, subject to the above recommendations.

Responsible officer:
Finance Manager

Agreed date: 31 December 2020

Follow up of prior year recommendations

PY1 Revaluation of non-current assets

Due to the change in valuer for 2018/19 there was a delay in the provision of the valuations as at 31 March 2019 required as part of the rolling revaluation programme.

There is a risk that similar issues will be encountered in 2019/20 and these impact on the preparation or sign-off of the annual accounts.

The council should work with the external valuers to ensure these issues are not repeated in 2019/20.

Complete

Early conversations took place between officers and the external valuers to clarify expectations. There was no delay in the provision of the valuations in 2019/20.

PY2 Group accounting errors

Multiple errors were identified in the group account statements in the unaudited accounts.

There is a risk that errors in the group accounts consolidation process result in a material misstatement in the annual accounts.

Procedures should be put in place to ensure that the unaudited group accounts statements are free from misstatement and reflect the component group bodies accounts.

Complete

While we identified a couple of amendments to the group accounts, the errors were not on the same scale as 2018/19.

PY3 Capitalisation of software licenses

As part of our expenditure testing, we identified expenditure on multi-year software licenses that had not been capitalised as an intangible asset.

There is a risk that capital expenditure is not accurately reflected in the annual accounts.

As part of the 2019/20 year-end closedown procedures, Management should review all significant revenue expenditure during the year to identify any expenditure that should be capitalised.

Complete

Officers confirmed procedures were now in place and our testing did not identify any errors.



No.	Issue/risk	Recommendation	Agreed management action/timing
Recommendations for West Dunbartonshire Council			
PY4	Cash receipting system reconciliations The year-end reconciliation between the cash receipting system and the ledger system included a large number of reconciling items due to ongoing issues with the posting of payments to the ledger from the new Capita cash receipting system. <i>There is a risk that significant staff time input is required to identify and investigate differences when preparing the reconciliation.</i>	The council should continue to work with the system provider to address these issues and reduce the number of reconciling items each period.	Complete Our testing of the year-end reconciliation did not identify any issues.
PY5	Creditors reconciliations We reported last year that there was no formal review of period-end creditors reconciliations. This is still the case and there is also an associated risk due to reliance being placed on one individual to complete the reconciliation. This presents a risk that the reconciliation could not be completed in their absence. <i>There is a risk that the period-end creditors reconciliations are not correctly completed.</i>	Management should ensure that period-end creditors reconciliations are evidenced as reviewed and that sufficient staff are trained to complete the reconciliations.	Partially Complete Our testing of the year-end creditor's reconciliation concluded that it had been appropriately reviewed. However, no additional staff were trained in year, to complete the reconciliations. This was due to be rolled out as "on the job" training / coaching at the year-end but due to Covid-19 all finance staff have been working from home and it has not been possible to undertake the training this year. We will follow up on the training/coaching provided to staff on the creditors reconciliation in 2020/21.
PY6	Financial Sustainability The council has a low level of reserves as a proportion of net revenue compared with other Scottish local authorities and the approved 2019/20 budget includes the one-off use of reserves balances. <i>There is a risk that the council will have insufficient reserves to respond to unforeseen</i>	The council should ensure that sufficient reserve balances are maintained for this purpose.	Ongoing As reported at paragraphs 92-95 , the uncommitted general fund balance of £2.752 million at 31 March 2020 was significantly below the prudential reserve target of £4.122 million, set by the Council for 2019/20.



No. **Issue/risk**



Recommendation



**Agreed management
action/timing**

Recommendations for West Dunbartonshire Council

*events or reductions in future
funding.*

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Include any audit risks arising from COVID-19

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of material misstatement caused by management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position disclosed in the financial statements</p>	<ul style="list-style-type: none"> • Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in support of the statement. • Detailed testing of journal entries. • Review of accounting estimates. • Focussed testing of accruals and prepayments. • Evaluation of significant transactions that are outside the normal course of business. 	<ul style="list-style-type: none"> • No unusual or inappropriate transactions were identified as part of the detailed testing of journal entries. • A review of accounting estimates did not show any instance of bias. • Focussed testing of regularity and cut-off assertions did not reveal any lapses in controls • No significant transactions outside the normal course of council business were identified. <p>Our conclusion is that there is no evidence of management override of controls</p>
<p>2 Risk of material misstatement caused by fraud in income recognition.</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud over income, which is presumed to be a risk in any audit with significant income streams.</p>	<ul style="list-style-type: none"> • Analytical procedures on significant income streams. • Detailed testing of revenue transactions focussing on the areas of greatest risk. • Review of budget monitoring reports focussing on significant budget variances. 	<ul style="list-style-type: none"> • Sample testing of income transactions to confirm that these were in the normal course of business. • We obtained satisfactory explanations for any significant increases or decreases in income. • Our sample cut-off testing confirmed that transactions were processed in the correct accounting year. • The council has adequate counter-fraud arrangements. <p>Our conclusion is that the council has arrangements in place to minimise the risk of fraud over income.</p>
<p>3 Risk of material misstatement caused by fraud in expenditure</p>	<ul style="list-style-type: none"> • Analytical procedures on significant expenditure streams. 	<ul style="list-style-type: none"> • Sample testing of expenditure transactions to confirm that

The Code of Audit Practice expands the consideration of fraud under ISA 240 to include the risk of fraud over expenditure. This applies to the council due to the variety and extent of expenditure incurred.

- Detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk.
- Audit testing of grants, including the sample testing of expenditure and housing benefit transactions.
- Review of budget monitoring reports focussing on significant budget variances.
- Audit work on the National Fraud Initiative matches.

these were in the normal course of business.

- We obtained satisfactory explanations for any increases or decreases in expenditure.
- Our sample cut-off testing identified where transactions were processed in the incorrect year, these were appropriate adjusted for by management.
- The council has adequate counter-fraud arrangements.

Our conclusion is that the council has arrangements in place to minimise the risk of fraud over expenditure.

4 Estimation and judgements

There is a significant degree of estimation and judgement in the measurement and valuation of some material account areas, including

•Non-current asset values which rely on expert valuations and management assumptions.

•The value of the council's pension liability which is an estimate based on information provided by management and actuarial assumptions.

•The council's provisions for doubtful debts which are based on management's assessment of the recoverability of debts.

•The value of other provisions which are based on management's assessment of the value and probability of potential future outflows.

This subjectivity represents an increased risk of misstatement in the financial statements.

- Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets.
- Confirm asset values in valuation certificates are correctly reflected within the 2019/20 accounts.
- Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used.
- Review of council's procedures for ensuring actuarial valuations provided are appropriate and include assumptions relating to relevant legal rulings.
- Confirm pension valuations in actuarial report are correctly reflected within the 2019/20 accounts.
- Review the provision for doubtful debts calculations to assess whether they are reasonable and complete based on the risk that the debt will not be recovered.
- Review the basis for other provisions recognised, including detailed testing to source documentation where required.

- A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.
- We tested samples of accruals and provisions and confirmed them to appropriate back-up evidence.
- The council's accounting policies are appropriate.

Our conclusion is that estimations and judgements included in the audited accounts are supported by appropriate audit evidence.

However, property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The extent and timing of the rolling programme of valuation work mean less certainty can be attached to the valuation than would otherwise be the case.

See [Exhibit 3 – Issue 1](#)

5 Revaluation of non-current assets

There was a significant delay in the provision of some asset

- Review year-end process for transfer of information between the council and valuers.

- We did not experience any delays in the provision of asset valuations in 2019/20. All queries were responded to

valuations at 31 March 2019 due to a change in the valuer during 2018/19. During the course of the audit we also received multiple revised reports detailing valuations adjustments to the non-current asset balances in the accounts. This resulted in additional audit work to confirm the accuracy of the non-current assets balances in the audited accounts.

There is a risk that similar issues could be encountered in 2019/20 and that these could impact on the preparation or sign-off of the annual accounts.

- Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets.
- Confirm asset values in valuation certificates are correctly reflected within the 2019/20 accounts.

within appropriate timescales. Our testing did not identify any material errors.

Our conclusion is that the transfer of information between the Council and the External Valuer has improved since 2018/19.

6 Group accounting errors

During the 2018/19 audit, 15 disclosure errors, one omission and multiple financial consolidation errors in the group accounts were identified. This resulted in reviewing three sets of revised group account statements and working papers.

There is a risk that similar issues may occur in 2019/20 and result in a material misstatement in the group annual accounts.

- Review quality assurance procedures put in place by officers to prepare and review 2019/20 group statements.
- Review of group disclosure notes.
- Review of group consolidation adjustments, including the exclusion of intra-group transactions.

- While there were some amendments to the group accounts, the errors identified were not on the same scale as those identified in 2018/19.

Our conclusion is that the group accounts and working papers were of an appropriate standard in 2019/20.

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

7 2020/21 budget setting

The timing of budget setting for the UK and Scottish public sector has led to increased uncertainty for councils in setting their 2020/21 budgets and council tax.

There is a risk that the Council's budget does not reflect the final settlement and further in-year savings need to be made.

- Review of the council's 2020/21 budget setting arrangements.

- The 2020/21 budget was set on 4 March 2020.

Our conclusion is the council's budget setting arrangements are effective.

8 Financial sustainability

As reported to the January 2020 Council meeting, a funding gap of £4.418million for 2020/21, and a cumulative 3-year funding gap of £16.989million to 2022/23, has

- Continue to monitor the financial position throughout the year and provide an update in the 2019/20 Annual Audit Report.

We reported that the current uncommitted general fund balance of £2.752 million at 31 March 2020 was significantly below the prudential reserve target of £4.122 million, set by the Council for 2019/20.

been identified. Part of the council's budget pressures come from funding its high levels of borrowing. The Council approved the one-off use of reserves in 2019/20 to fund the budget gap. There is a risk that the council's unearmarked reserves will fall below its target level to meet future contingencies. The financial position may not be sustainable in the long term.

- Consider the long-term affordability of budget decisions, including any planned use of reserves.
- Ongoing assessment of the council's long-term financial strategy, including the assumptions used.

See paragraphs [94](#) and [95](#)

9 Procurement and tendering

In 2018/19, we published a report: Audit Review of the Investigation of Tendering and Contracting Practices in Roads and Greenspace Services which was presented to a special meeting of the Council on 14 May 2019. The report identified significant areas for improvement. An improvement plan was agreed by the Council. There is a risk that the weaknesses reported have not been appropriately addressed.

- Follow up of the recommendations outlined in our Audit Review of the Investigation of Tendering and Contracting Practices in Roads and Greenspace Services report.
- Review of Internal Audit follow up work.

- Internal Audit has reported that recommendations have been followed up and all actions have been completed.
- Our recommendations from the Audit review of the investigation of tendering and contracting practices in Roads and Greenspace services have been actioned.

We will continue to monitor this area in 2020/21.

See paragraphs [109-112](#)

10 Capital project management

In 2019/20, gross capital expenditure (including HRA) is projected to be underspent against the original budget by £11.897million (16%). There are also several large-scale projects which have incurred additional cost (e.g. District Heating Network) or continue to be re-phased into future years (e.g. Exxon Site). There is a risk that the council's ability to deliver against its strategic plan is affected due to delays and additional costs for investment and improvements to the asset base.

- On-going monitoring of capital budget plans and reports.
- Follow up of the 2017/18 Best Value Assurance Report recommendations and report an update in the 2019/20 Annual Audit Report.

- The level of capital slippage significantly improved during 2019/20 but still represented 24 per cent of the approved capital programme for the year.

Our conclusion is that there is evidence that the actions taken by the council are starting to deliver the intended improvements in the delivery of the capital programme. We will continue to monitor progress in this area during 2020/21.

See paragraphs [57-61](#)

Appendix 3

Summary of national performance reports 2019/20

 2019/20 Reports		
	Apr	
Social security: Implementing the devolved powers	 May	
Scotland's colleges 2019	 Jun	 Enabling digital government
	Jul	
NHS workforce planning - part 2	 Aug	
Finances of Scottish universities	 Sept	
NHS in Scotland 2019	 Oct	
	Nov	
Local government in Scotland: Financial overview 2018/19	 Dec	
Scotland's City Region and Growth Deals	 Jan	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	Mar	 Early learning and childcare: follow-up

West Dunbartonshire Council

2019/20 Annual Audit Report

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West Dunbartonshire Council – 25 November 2020

Audit of West Dunbartonshire Council and registered charities administered by the council 2019/20 annual accounts

Independent auditor's report

1. Our audit work on the 2019/20 annual accounts of West Dunbartonshire Council and the registered charities administered by the council is now complete. Subject to receipt of revised annual accounts for final review, we anticipate being able to issue unqualified and unmodified independent auditor's reports on 25 November 2020. The independent auditor's report for the council does however contain an 'Emphasis of Matter' paragraph to draw attention to the additional uncertainty in property valuations caused by the Covid-19 pandemic (the proposed reports are attached at [Appendix A](#) and [Appendix C](#)).

Annual audit report

2. We also present for your consideration our proposed annual audit report on the 2019/20 audit. International Standard on Auditing (UK) 260 (Communication with those charged with governance) requires external auditors to report specific matters arising from the audit of the annual accounts to those charged with governance in sufficient time to enable appropriate action. Within the proposed annual audit report, *Exhibit 3. Significant findings from the audit of the financial statements* sets out the issues we consider should be drawn to your attention in accordance with ISA 260 in relation to the council audit. Our report also includes the findings from our audit of the registered charities administered by the council (pages 15 and 16).
3. The annual audit report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. The annual audit report will be issued in its final form after the audited annual accounts have been authorised for issue and the independent auditor's report has been certified.

Unadjusted misstatements

5. We are required to report to those charged with governance, all unadjusted misstatements, other than those of a trivial nature and request that they be corrected. There is one unadjusted misstatement in the audited accounts relating to the repayment from the general fund to the loans fund for 2019/20 (detailed at issue 3 in *Exhibit 3. Significant findings from the audit of the financial statements* of our Annual Audit Report). Had this been corrected it would have reduced the council's usable reserves balance at 31 March 2020 by £1.6 million.

Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit Committee we also seek confirmation that we have been informed of any:
- instances of any actual, suspected or alleged fraud;
 - events that have occurred since 31 March 2020 which could have a significant impact on the annual accounts; or
 - instances of material non-compliance with legislation and regulations.

Representations from Section 95 Officer

7. International Standard on Auditing (UK and Ireland) 580 (Management representations) requires auditors to obtain evidence on certain matters from management. Accordingly, as part of the completion of our audit we seek written assurances from the Strategic Lead – Resources, as Section 95 Officer, on aspects of the financial statements and judgements and estimates made.
8. Draft letters of representation in respect of the council and the trusts registered as charities are attached at [Appendix B](#) and [Appendix D](#). These should be reviewed for accuracy and any proposed amendment discussed with us. Once satisfied, the letter should be signed and returned by the Strategic Lead – Resources with the signed annual accounts.

Acknowledgement

9. We would like to thank all management and staff for their cooperation and assistance during the audit.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, and the Non Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Additional uncertainty on property valuations

I draw attention to Note 1 in the financial statements, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty, which describes the effects of material uncertainties that exist in property valuations due to the impact of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead – Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Strategic Lead - Resources and West Dunbartonshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Lead – Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead – Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead – Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

Other information in the annual accounts

The Strategic Lead – Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
Audit Director
Audit Scotland
4th Floor
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

25 November 2020

APPENDIX B: Template Letter of Representation (ISA 580) for West Dunbartonshire Council

Fiona Mitchell-Knight
Audit Director
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear Fiona

West Dunbartonshire Council Annual Accounts 2019/20

1. This representation letter is provided about your audit of the annual accounts of West Dunbartonshire for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and the Corporate Management Team, the following representations given to you in connection with your audit of West Dunbartonshire Council's accounts for the year ended 31 March 2020.

General

3. West Dunbartonshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by West Dunbartonshire have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of West Dunbartonshire Council and its Group at 31 March 2020 and the transactions for 2019/20

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to West Dunbartonshire Council's circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed West Dunbartonshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on West Dunbartonshire Council's ability to continue as a going concern.

Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

15. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.

16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.
17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for West Dunbartonshire Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

21. There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37.
22. With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

Fraud

23. I have provided you with all information in relation to:
 - my assessment of the risk that the financial statements may be materially misstated because of fraud
 - any allegations of fraud or suspected fraud affecting the financial statements
 - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

24. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

25. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the West Dunbartonshire Council parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

26. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

27. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

28. I confirm that West Dunbartonshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
29. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

Group Accounts

30. I have identified all the other entities in which West Dunbartonshire Council a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

31. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Stephen West
Strategic Lead – Resources

APPENDIX C: Proposed Independent Auditor's Report for registered charities administered by West Dunbartonshire Council

Independent auditor's report to the trustees of Dr A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Dr A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2020 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

25 November 2020

Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

APPENDIX D: Template Letter of Representation (ISA 580) for registered charities administered by West Dunbartonshire Council

Richard Smith
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

25 November 2020

Dear Richard

Charitable Trusts administered by West Dunbartonshire Council - Annual Accounts 2018/19 - Dr A K Glen Trust (Registered Charity SC018701) and West Dunbartonshire Trust Funds (Registered Charity SC025070)

1. This representation letter is provided in connection with your audit of the financial statements of the registered charities listed above for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements properly presents the financial position of each of these registered charities as at 31 March 2020 and their receipts and payments for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the trustees of the registered charitable trusts, the following representations given to you in connection with your audit for the year ended 31 March 2020.

General

3. I acknowledge my responsibility and that of West Dunbartonshire Council, as the administering authority, for the preparation of the financial statements on behalf of the trustees. All of the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by the registered charitable trusts have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. I confirm that the accounts of the charities submitted for audit are the only trusts which fall to be audited under the provisions of the Local Government (Scotland) Act 1973.
5. The information given in the Trustees Reports presents a balanced picture of each charity and is consistent with the financial statements.
6. I confirm that there are no uncorrected misstatements.

Financial reporting framework

7. The financial statements have been prepared in accordance with the requirements of Local Government (Scotland) Act 1973 including all relevant presentation and disclosure requirements. The financial statements also comply with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006 and guidance issued by the Office of the Scottish Charity Regulator (OSCR).
8. Disclosure has been made in the financial statements of all matters necessary for them to properly present the transactions and state of affairs of each charity for the year ended 31 March 2020.

Accounting policies

9. The financial statements have been prepared on receipts and payments basis in accordance with applicable regulations and the founding documents of each charitable trust.

Going Concern

10. A number of the trusts have been dormant in recent years. The Trustees have assessed the ability of the registered charitable trust to carry on as a going concern, and have disclosed in the financial statements, any material uncertainties that have arisen as a result.

Related party transactions

11. There were no related party transactions with any party other than West Dunbartonshire Council as administering agent.

Events subsequent to the balance sheet date

12. There have been no material events since the date of the statement of balances which necessitate revision of the figures in the financial statements or notes thereto, including contingent assets and liabilities.
13. Since the date of the statement of balances no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

Corporate governance

14. The business of the charitable trusts is recorded in the systems of West Dunbartonshire Council. As section 95 officer for West Dunbartonshire Council, I confirm that there are no issues or deficiencies in internal control that require to be disclosed within the financial statements of the charitable trusts.

Fraud

15. I have considered the risk that the financial statements may be materially misstated as a result of fraud or irregularity. There have been no actual or alleged frauds or irregularities involving trustees or staff of West Dunbartonshire Council that could affect the financial statements of the charitable trusts.

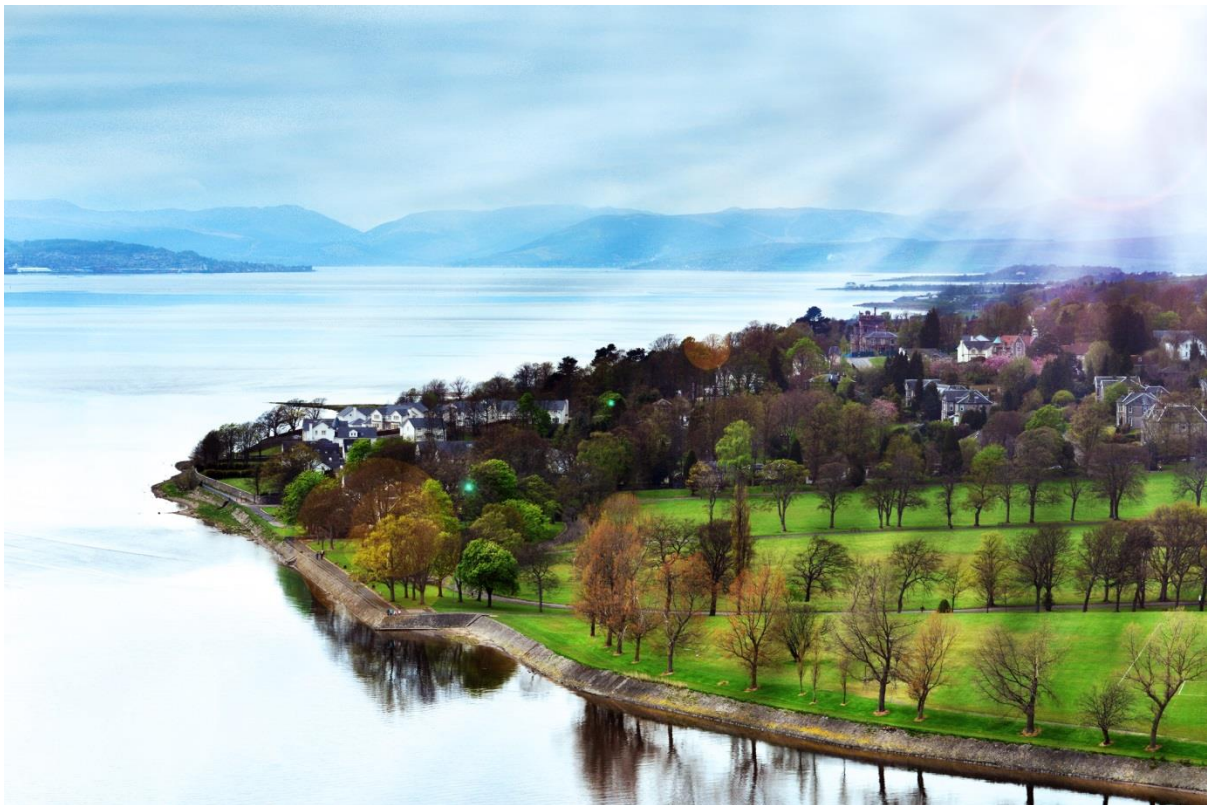
Assets

16. The cash fund and investments shown in the statement of balances at 31 March 2020 were owned by the charities. Assets are free from any lien, encumbrance or charge. There are no plans or intentions that are likely to affect the carrying value of classification of the assets within the financial statements.

Yours sincerely

Stephen West
Strategic Lead – Resources, West Dunbartonshire Council, for and on behalf of the trustees of the charities administered by West Dunbartonshire Council

ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2020



West 
Dunbartonshire
COUNCIL

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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.

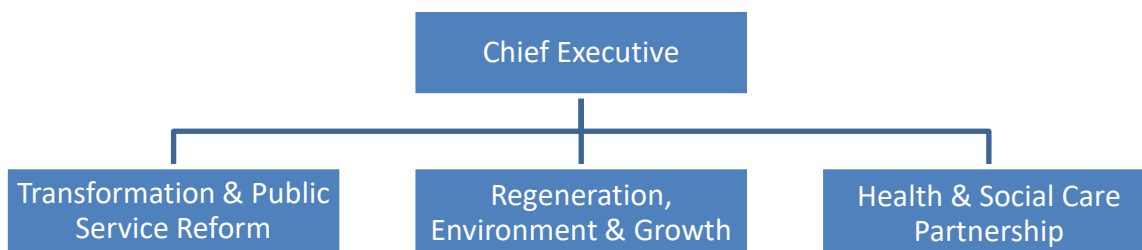
The Council

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 71 square miles and has many strengths; including significant sites of natural beauty and heritage, good transport links and close proximity to Glasgow and its airport. The area has a rich past, shaped by its world-famous shipyards along the Clyde, and boasts many attractions ranging from the iconic Dumbarton Rock and the Titan Crane, to the beauty of Loch Lomond.

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

Excluding casual staff, the council employed (as at 1st April 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 £234.013m (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 £0.586m 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, included within the overall earmarked balance) and the in-year budgetary position (£0.586m), the overall deficit for the year was £1.603m. This is deducted from the brought forward balance from the previous year (£10.998m), resulting in an accumulated surplus at 31 March 2020 of £9.395m (as shown on page 37). This includes an earmarked amount of £6.643m leaving £2.752m 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 £2.076m 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 £1.553m (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	564	(1,120)	
Total Expenditure (1)	219,079	223,433	222,978	(455)	
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)				(586)	
Earmarked during year				2,663	
Net movement in Earmarked balances				(474)	
Movement in Reserves from 1/04/19 to 31/03/20					1,603
Total General Services Reserves Held as at 31/3/20					(9,395)
Net decrease in the Movement in Reserves before transfer to Statutory Reserves					2,735
Transfer from statutory reserves					(1,132)
					1,603

The movement of £1.603m 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 £9.395m) 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 £7.163m to the revenue budgetary outturn of £0.586m.

	£000	£000
Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement		7,163
Removal of statutory adjustments not included in budget outturn (note 4):		
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	(20,025)	
Statutory repayment of debt	7,624	
Transfer to other statutory reserves	(993)	
Net gain / (loss) on sale of non current assets	(1,463)	
Other adjustments	22	(7,100)
Deficit on Provision of Services in Note 13 - Expenditure and Funding Analysis		63
Adjust for movements to/from other statutory reserves		
HRA reserve	2,672	
Other reserves	(1,132)	1,540
Movement in General Fund Balance		1,603
Adjustments for earmarked funds:		
Net Commitment to in-year budget*	(2,663)	
Release of earmarked sums	474	(2,189)
Net General Fund budgetary control position 2019/20		(586)

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 (£1.145m), the balance available to the HRA for future use is £3.924m, (earmarked reserves of £3.041m 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	Spend Against Budget	Variance	£000
	£000	£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			(1,145)	
Net transfer from earmarked balances			0	
Movement in Reserves from 1/04/19 to 31/03/20				<u>(2,318)</u>
Total HRA Reserves Held as at 31/3/20				<u>(3,924)</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 HRA 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		(1,145)
Transfer of surplus to reserves		(1,173)
HRA reserve as at 31 March 2020		(3,924)

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	HRA	Total
	£000	£000	£000
Unearmarked Reserve	2,752	883	3,635
Earmarked Reserve	6,643	3,041	9,684
Total Revenue Reserve	9,395	3,924	13,319
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	11,910	3,924	15,834

Prudential Target	4,305	883
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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 £93.934m (from £190.978m to £284.912m). The main movement is due to a decrease in the pension liability of £71.138m 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 38 shows an assessed pension fund liability of £134.077m 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 85.6% of accrued liabilities (81.07% in 2018/19). The pension scheme liability has decreased by £71.138m 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 £9.385m, resulting in a net increase in value of £11.514m. 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
Service						
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 £30.025m creating an overall net asset of £314.937m. 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 and flexibilities 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 budgetary control report to Council on 30 September 2020 projected that the net annual cost of covid-19 to the council for 2020/21 was £2.229m. This figure continues to be updated as further additional costs and additional Scottish Government funding support becomes known. At this time the projected impact for 2021/22 is unknown.

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 yet available, 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%	64%
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%	1.28%
£0.524m	Movement in the free reserve balance	Demonstrates variances contributing to the overall free reserve position	n/a	(£2.076m)
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	99.74%
	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	£600.739m
£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 ([West Dunbartonshire Council](http://www.westdunbartonshirecouncil.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. The council's Financial Statements continue to be reported on a going concern basis.

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: 25 November 2020

Joyce White
Chief Executive
Date: 25 November 2020

Stephen West
Strategic Lead - Resources
Date: 25 November 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 audited Annual Accounts were authorised for issue on 25 November 2020.

Signed on behalf of West Dunbartonshire Council

Councillor Jonathan McColl
Leader of the Council
Date: 25 November 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: 25 November 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. Meetings of the Audit Committee and Council have been held remotely since April 2020 to allow Members to undertake their scrutiny role. There were regular Elected Member briefings and cross party meetings in order to further share updates on the developments as a result of the COVID-19 pandemic. It was agreed at the Cross Party Group that committee business would be kept to a minimum with only necessary and urgent papers being considered by committee. A small number of temporary delegations were agreed to enable services within Regulatory to continue, assist with the preparation of the annual accounts and deal with taxation matters. The Council's existing Scheme of Governance was also used to enable decisions to be taken which would normally be taken by committee. A report was presented to Council in June 2020 which provided an update in relation to actions and decisions taken under the revised governance arrangements put in place following the Government lockdown on 24 March 2020. A link to this report can be found [here](#).

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.

Annual Governance Statement (Cont'd)

COVID-19 (cont'd)

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.

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 identified by 2019/20 Exercise	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

Annual Governance Statement (Cont'd)

Governance Issues and Planned Actions (cont'd)

Improvement Area identified by 2019/20 Exercise	Responsible Officer
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
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
Continue the implementation of the strategic improvement framework activity on benchmarking, including customer feedback and proof of "best value"	Performance and Strategy Manager

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 identified by 2018/19 Exercise	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.

Annual Governance Statement (Cont'd)

Governance Issues and Planned Actions (cont'd)

Improvement Area identified by 2018/19 Exercise	Responsible Officer	Status
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.
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

Annual Governance Statement (Cont'd)

Governance Issues and Planned Actions (cont'd)

Improvement Area identified by 2018/19 Exercise	Responsible Officer	Status
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.
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	Ongoing - work to improve case recording is continuing – most recent updates include changes to capture activity for the Scottish Government National Covid-19 dataset. Review of Care First case recording system by Information Team to be scheduled following lockdown. Improvement activity around assessments and reports is supported by monthly meetings with the Area Locality Reporter (SCRA). Case sampling for children on the child protection register will report to the Child Protection Committee after June 2020.

Annual Governance Statement (Cont'd)

Governance Issues and Planned Actions (cont'd)

Improvement Area identified by 2018/19 Exercise	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.

For financial year 2019/20, the value (percentage) of compliant regulated procurement was £138,854,810 (91.2%). This compares to the 2018/19 value (percentage) of £104,468,990 (79.7%) of compliant regulated procurement. For 2020/21 a compliance rate of 100% has been set.

The Procurement Annual Report for 2019/20 was presented to the Corporate Services Committee on 11 November 2020.

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)

Health and Social Care Integration (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: 25 November 2020

Joyce White
Chief Executive
Date: 25 November 2020

Stephen West
Strategic Lead – Resources
Date: 25 November 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 online.

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

Remuneration Report (Cont'd)

b) Remuneration - Senior Employees and Senior Employees of Subsidiaries

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

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
Peter Hesselst	Strategic Lead-Regulatory	85,838	4,998	90,836	83,120
Victoria Rogers	Strategic Lead People & Technology	85,838	190	86,028	83,120
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.

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

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 55 but are reduced prior to 60th birthday. Pension benefits accrued before 1 April 2015 are protected and are based on final pay on retiring.

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

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

Table 4: Contribution Rate

	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.

Remuneration Report (Cont'd)

d) Pension Benefits (Cont'd)

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. You can retire and receive your benefits in full from your normal pension age. The normal pension age is 65 for any benefits built up before 1 April 2015. For pension build up from 1 April 2015, the Normal Pension Age is not fixed at age 65 but, instead, is the same as the State Pension Age (but with a minimum of age 65).

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
Peter Hessest	Strategic Lead-Regulatory	16,480	16,014	84,998	80,723
Victoria Rogers	Strategic Lead People & Technology	16,480	16,014	62,250	58,638
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.

Remuneration Report (Cont'd)

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.

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 - £150,000	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. Further detail can be found at:

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

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)

Jonathan McColl
Leader of the Council
Date: 25 November 2020

Joyce White
Chief Executive
Date: 25 November 2020

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in year, of providing services in accordance with relevant International Financial Reporting Standards, 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 Net 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		2019/20 Gross Expenditure £000	2019/20 Gross Income £000	2019/20 Net Expenditure £000
75,514	(51,139)	24,375		Service	75,579	(48,907)	26,672
112,924	(9,858)	103,066		Corporate Services	111,498	(13,250)	98,248
66,871	(17,477)	49,394		Educational Services	64,476	(20,599)	43,877
				Infrastructure, Regeneration and Economic Development			
9,441	(4,475)	4,966		Housing and Communities	10,570	(5,032)	5,538
32,641	(41,957)	(9,316)		Housing Revenue Account	32,714	(42,640)	(9,926)
17,234	(7,094)	10,140		Miscellaneous Services	62	(7,572)	(7,510)
162,129	(92,273)	69,856		Health and Social Care Partnership	170,360	(95,582)	74,778
2,459	0	2,459		Requisitions	2,336	0	2,336
479,213	(224,273)	254,940		Net Cost of Service (1)	467,595	(233,582)	234,013
		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			(84,847)
		(104,759)	8	Revenue Support Grant			(103,571)
		(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)			7,163
		(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)			(93,934)

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	General Fund balance £000	HRA Balance £000	Capital Receipts Reserve £000	Capital Grants and Receipts 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	25,351	(18,188)	0	0	0	0	0	7,163	(101,097)	(93,934)
Adjustments between accounting basis and funding basis under regulations	(22,616)	15,516	0	(159)	0	(498)	0	(7,757)	7,757	0
Net (Increase)/Decrease before Transfers to Other Statutory Reserves	2,735	(2,672)	0	(159)	0	(498)	0	(594)	(93,340)	(93,934)
Transfers to/from other statutory reserves	(1,132)	354	0	305	678	498	148	851	(851)	0
Closing Balance at 31 March 2020	(9,395)	(3,924)	0	(132)	(2,169)	0	(214)	(15,834)	(269,078)	(284,912)
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 £000	Notes		2019/20 £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	43,051
12,745	24	Cash and Cash Equivalents (net)	17,038
65,060		Current Assets	69,373
(351)	27	Provisions	(232)
(46,899)	26	Short Term Creditors	(42,167)
(214,370)	25	Short Term Borrowing	(237,091)
(3,097)	20	PPP	(3,605)
(264,717)		Current Liabilities	(283,095)
734,581			799,903
(231,085)	25	Long Term Borrowing	(276,905)
(100,004)	20	PPP and Finance Lease Liabilities	(96,337)
(205,215)	11	Net Pensions Liability	(134,077)
(7,299)	8	Capital Grants Receipts in Advance	(7,672)
(543,603)		Long Term Liabilities	(514,991)
190,978		Net Assets	284,912
Represented by:			
16,091	MIR/29	Usable Reserves	15,834
174,887	MIR/29	Unusable Reserves	269,078
190,978		Total Reserves	284,912

The unaudited Financial Statements were authorised for issue on 30 June 2020 and the audited Financial Statements were authorised for issue on 25 November 2020.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
Date: 25 November 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
41,639	Operating Activities		
	Net deficit on the provision of services		7,163
(41,712)	Depreciation, amortisation and impairment	(28,538)	
(9,054)	Net gain on fixed assets	(1,463)	
(29,553)	Movement in pension liabilities	(20,024)	
103	Movement in inventories	171	
6,696	Movement in debtors	(2,151)	
(9,151)	Movement in creditors and provisions	2,664	
128	Other non-cash movements	(1,106)	
(82,543)	Adjustments to net deficit on the provision of services for non-cash movements		(50,447)
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 £71.138m 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 £43.051m 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 25. Significant changes to the key inputs for non-financial assets would have a significant impact on the value of the properties. However as the properties are valued annually and form a small proportion in relation to the value of the council's overall portfolio the impact of any changes would be limited.</p>

Notes to the Financial Statements (Cont'd)

Note 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 and Receipts 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)	(19,157)	(868)	0	0	0	0	0	(20,025)
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)	(953)	(40)	0	0	0	0	0	(993)
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)
	(25,576)	3,918	0	0	0	0	0	(21,658)
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)	3,161	4,463	0	0	0	0	0	7,624
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	0	8,397	0	0	0	0	0	8,397
	2,960	11,598	1,463	0	0	0	0	16,021
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/ Capital Grants and Receipts Unapplied Account	0	0	803	(305)	0	(498)	0	0
Application of capital grants to finance capital expenditure	0	0	0	146	0	0	0	146
	0	0	(1,463)	(159)	0	(498)	0	(2,120)
Total Adjustments	(22,616)	15,516	0	(159)	0	(498)	0	(7,757)

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	20,025	0	0	20,025
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	993	0	993
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	20,025	993	(22)	21,658
Adjustments between Capital and Revenue Resources						
Statutory provision for the repayment of debt (transfer to the Capital Adjustment Account)	(7,624)	0	0	0	0	(7,624)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(8,397)	0	0	0	0	(8,397)
	(16,021)	0	0	0	0	(16,021)
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	(24,502)	11,263	20,025	993	(22)	7,757

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 30 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.

A revised pensions actuaries report was requested from the Pension Fund after the submission of the draft Financial Statements due to the material impact on the pensions valuation caused by some recent legal ruling within UK courts (McCloud). As a result of this, the Financial Statements were amended to reflect the new valuation.

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).

West Dunbartonshire Leisure Trust

The council has representation on the Board of Trustees, with three of the nine Trustees being Council elected members, with the council contributing £5.500m to the Trust in 2019/20 (and received from the Trust £0.127m).

Clydebank Property Company

The company is owned by the council which holds 100% of the issued share capital. The council holds an investment of £0.273m within its Balance Sheet and has full representation on the Board of Directors, with each of the three Directors of the company being senior officers within the council. The company paid a dividend to the council in 2019/20 of £0.050m.

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.

Notes to the Financial Statements (Cont'd)

Note 6 – Related Parties (Cont'd)

Elected Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 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 page:

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

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	31 March 2020
£000	£000
183,571 Revenue Support Grant/ Non-Domestic Rates	188,418
2,049 New House Build	15,294
7,728 General Services Capital Grant	9,153
446 Early Year Funding	2,612
108 Strathclyde Passenger Transport	372
80 Exxon City Deal	153
2,165 Levensgrove	122
6,100 Queens Quay	0
1,110 Clydebank Communities Sports Hub	0
245 Buy Backs	0
100 New Dumbarton Office	0
123 Grants under £0.100m	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	<u>(5,579)</u>
44,874	36,702
Financing and investment Income and Expenditure	
3,753 Net interest expense	<u>5,172</u>
48,627 Total post employment benefit charged to the Surplus or Deficit on the provision of Services	41,874
 (25,257) Expected return on assets	 55,170
0 Actuarial gains and losses arising from changes in demographic assumptions	(34,598)
(74,011) Actuarial gains and losses arising from changes in financial assumptions	(106,589)
<u>(709) Actuarial gains and losses arising from experience assumptions</u>	<u>(5,146)</u>
(51,350) Total post employment benefit charged to the comprehensive income and expenditure statement	(49,289)
 Movement in Reserves Statement	
<u>(48,627) Reversal of net charges made to surplus of deficit for post employment benefits</u>	<u>(41,874)</u>
 Actual amount charged against the General Fund balance in the year	
<u>19,074 Employer contributions payable to Scheme</u>	<u>18,887</u>

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
<u>(967,664) Present value of defined benefit obligations</u>	<u>(874,574)</u>
(141,861) Net assets in the Strathclyde Pension Fund	(79,920)
 <u>Present Value of Unfunded Liabilities</u>	
(29,356) LGPS Unfunded	(25,437)
(26,285) Teachers' pensions	(22,476)
<u>(7,713) Pre Local Government Reorganisation</u>	<u>(6,244)</u>
(205,215) Net pension asset/(liability)	(134,077)

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 £134.077m has a substantial negative impact on the net worth of the council as recorded in the Balance Sheet, resulting in an overall balance of £284.912m. 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 £102.287m, 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)	(5,579)
(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>928,731</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 85.6% (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 £0.270m (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	189,372
238,741	Other service expenses	244,920
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
507,106	Total Expenditure	494,982
	Income	
(224,273)	Fees, charges and other service income	(233,582)
(3,564)	Interest and investment income	(2,647)
(112,617)	Income from council tax and non-domestic rates	(120,143)
(125,013)	Government grants and contributions	(131,447)
(465,467)	Total Income	(487,819)
41,639	(Surplus) / Deficit on the Provision of Services	7,163

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	(20,599)
(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)
(224,273)	Total Fees, Charges and other service income	(233,582)

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	19,847	6,825	26,672	
81,585	21,481	103,066	Education	88,426	9,822	98,248	
31,348	18,046	49,394	Infrastructure, Regeneration and Economic Development	31,695	12,182	43,877	
4,311	655	4,966	Housing and Communities	4,511	1,027	5,538	
(19,812)	10,496	(9,316)	Housing Revenue Account	(21,312)	11,386	(9,926)	
792	9,348	10,140	Miscellaneous Services	272	(7,782)	(7,510)	
63,230	6,626	69,856	Health and Social Care Partnership	66,802	7,976	74,778	
2,459	0	2,459	Requisitions	2,336	0	2,336	
183,669	71,271	254,940	Net Cost of Services	192,577	41,436	234,013	
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	31,200	(7,923)	23,277	
8,915	32,724	41,639	(Surplus) or Deficit on Provision of Service	63	7,100	7,163	
(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)	2,735			
5,443			MIR (Surplus) or Deficit on Provision of Service (HRA)	(2,672)			
(3,122)			MIR Transfer to/from other statutory reserves	(778)			
(12,604)			Closing General Fund and HRA Balance as at 31 March	(13,319)			
			MIR 2020				

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	Corporate Services	3,052	3,773	0	6,825
18,503	2,478	500	21,481	Education	5,441	3,817	564	9,822
15,695	2,351	0	18,046	Infrastructure, Regeneration and Economic Development	8,750	3,432	0	12,182
13	642	0	655	Housing and Communities	13	1,014	0	1,027
9,944	584	(32)	10,496	Housing Revenue Account	10,478	868	40	11,386
(163)	9,938	(427)	9,348	Miscellaneous Services	1	(8,172)	389	(7,782)
1,532	5,094	0	6,626	Health and Social Care Partnership	803	7,173	0	7,976
0	0	0	0	Requisitions	0	0	0	0
47,403	23,827	41	71,271	Net Cost of Services	28,538	11,905	993	41,436
3,362	0	0	3,362	Other Operating Expenditure	1,463	0	0	1,463
(20,254)	0	0	(20,254)	Taxation and Non-specific Grant Income	(27,876)	0	0	(27,876)
(27,374)	5,727	(8)	(21,655)	Finance / Investment Income and Expenditure	(16,021)	8,120	(22)	(7,923)
3,137	29,554	33	32,724		(13,896)	20,025	971	7,100

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 (£22.616m net deductions) and HRA balance (£15.516m net additions) and this matches the total adjustments above of £7.100m.

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	31-Mar-20
£000	£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/ Capital Receipts Fund	(803)
13,349 Revenue Contributions	8,397
14,031 Loan Fund Principal Repayments	7,623
47,670	44,042
538,132 Closing Capital Financing Requirement	600,739
0 Increase in Underlying Need to Borrow (Supported)	0
23,783 Increase in Underlying Need to Borrow (Unsupported)	62,607
23,783 Movement in Capital Financing Requirement	62,607

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)
103,101 Closing Balance	99,942

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>2,892</u>	7,602
	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>19,432</u>	33,717
	45,585		43,051

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 – 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 – Cash and Cash Equivalents (cont'd)

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

*A further breakdown of the bank account is noted below:

31-Mar-19 £000	31-Mar-20 £000
2,770 Bank Current Accounts in balance	30,675
(4,088) Bank Current Accounts in overdraft	(34,883)
(1,318) Net Bank Current Account*	(4,208)

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 £000	31-Mar-20 £000	31-Mar-19 £000	31-Mar-20 £000
Debtors				
Loans and receivables	27	23	49,729	80,168
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	42,167

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

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

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

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

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

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

Financial Liabilities

- PWLB Loans (Level 2) - For loans from the PWLB premature repayment rates from the PWLB in force on 31 March 2018 have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value).
- Non-PWLB loans (Level 2) - For non-PWLB loans payable, the fair value of market loans are calculated using estimated interest rates of 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	80,191	80,191

Notes to the Financial Statements (Cont'd)

Note 25 – Financial Instruments (Cont'd)

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

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

31-Mar-19		31-Mar-20	
Carrying Amount	Fair Value	Carrying Amount	Fair Value
£000	£000	£000	£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	42,167	42,167

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:

31-Mar-19			31-Mar-20		
Principal outstanding	Accrued interest / EIR adjustment	Carrying amount	Principal outstanding	Accrued interest / EIR adjustment	Carrying amount
£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
Short Term Loans			Short Term Loans		
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
Long Term Loans			Long Term Loans		

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	260	0	260
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 £741.424m. 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 £000	Historical experience of non-payment adjusted for market conditions at 31.03.20 %	Estimated maximum exposure to default and uncollectibility £000
Customers and other income	30,169	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	42,167	3,605	271,974	317,746
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
	42,167	99,942	548,880	690,989

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	7,326
10,425 Other local authorities	10,389
219 NHS Bodies	975
0 Public Corporations and trading funds	0
26,884 Other Entities and individuals	23,477
46,899	42,167

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 £9.395m on 31 March 2020, of which £6.643m is earmarked for ringfenced purposes, leaving an unearmarked balance of £2.752m (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 £3.924m as at 31 March 2020, of which £3.041m 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	2,441
Welfare Reform	500
Risk of non recovery of income due to covid-19	100
	<u>3,041</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	9,395
1,606 Housing Revenue Account	3,924
0 Capital Receipts Reserve	0
278 Capital Grants and Receipts Unapplied	132
2,847 Capital Reserve	2,169
362 Other Reserves	214
<u>16,091</u> Total Usable Reserves	<u>15,834</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 and Reserves 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. This Reserve is also used to fund transformational projects from capital receipts.

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 £000	31-Mar-20 £000
243,308 Capital Adjustment Account	267,117
153,968 Revaluation Reserve	153,331
(205,215) Pension Reserve	(134,077)
(3,280) Employee Statutory Adjustment Account	(4,273)
(13,894) Financial Instruments Adjustment Account	(13,020)
174,887 Total Unusable Reserves	269,078

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	7,623
0 Capital Receipts Applied	0
243,308 Closing Balance	267,117

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)
153,968 Closing Balance	153,331

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	(41,874)
<u>(205,215) Closing Balance</u>	<u>(134,077)</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	(993)
<u>(3,280) Closing Balance</u>	<u>(4,273)</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.

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 Limitation (Childhood Abuse) (Scotland) Act 2017 Section 1 removes the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. At this stage the extent of any potential liability is unknown.

The Council agreed on 24 June 2020 to provide West Dunbartonshire Leisure Trust with a letter of comfort to confirm the council's commitment to the ongoing financial sustainability of the Trust, on a joint planning approach in relation to future service provision through the recovery and beyond. At this stage the extent or likelihood of any potential liability is unknown.

The Council has provided the Clydebank Property Company's external auditors with an acknowledgement that the company's forecast projections indicate that continued availability of funding from the council may be required in order to enable the Company to continue to meet its liabilities as they fall due, which would be delivered through the provision of loan funding if and when required. At this stage the extent or likelihood of any potential support is unknown.

A recent legal ruling in relation to the Goodwin equal treatment case in the Teachers' Pension Scheme may have an impact across other public service pension schemes. Regulatory amendments will now need to be considered to extend the pension entitlement of male survivors of female pension scheme members. The consequences may impact on future pension contributions rates but initial indications suggest that any impact would be immaterial.

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)	4,463	
13,349 CFCR	8,397	
17,034 Adjustments between Revenue and Capital Resources (4)	11,598	
8,838 Total Statutory Adjustments (5)=(3)+(4)		15,516
373 Transfers (to)/from Other Statutory Reserves (6)		354
5,816 (Increase)/Decrease in Year (7)=(2)+(5)+(6)		(2,318)
Balance on the Housing Revenue Account at the end of the Current Year		
(1,606) (8)=(1)+(7)		(3,924)

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	51,119
	Less:	
(8,573)	Council Tax Reduction Scheme Discount*	(8,418)
(6,148)	Other discounts and reductions	(6,348)
(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 £84.847m (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 £84.847m (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's rates collected, but should receive a further annual payment of £0.055m in 2020/21 for the increase identified in the 2017/18 NDR return.

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 £83.039m (2018/19 £82.910m), made up as follows:

Re-stated 2018/19 £000		2019/20 £000
94,260	Gross rates levied	95,009
	Less:	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)
(136)	Adjustments for prior years - bad debt	(373)
82,910	Total Non Domestic Rate Income (before retention)	83,150
0	Non Domestic Rate Income Retained by the Council (BRIS)	(111)
82,910	Contribution to National Non Domestic Rate Pool	83,039
78,812	Distribution from National Non Domestic Rate Pool	84,847
4,098	Net contribution to/(from) National Non Domestic Rate Pool	(1,808)
78,812	Net Non Domestic Rate Income to Comprehensive Income & Expenditure Statement	84,847

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 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 £30.025m – 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

This statement shows the accounting cost in year, of providing services in accordance with relevant International Financial Reporting Standards, 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.

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	75,340	(48,783)	26,557
112,568	(9,851)	102,717	Educational Services	111,068	(13,244)	97,824
63,321	(17,422)	45,899	Infrastructure, Regeneration and Economic Development	60,180	(20,351)	39,829
9,441	(4,451)	4,990	Housing and Communities	10,570	(5,032)	5,538
32,641	(41,957)	(9,316)	Housing Revenue Account	32,714	(42,640)	(9,926)
17,248	(7,094)	10,154	Miscellaneous Services	76	(7,572)	(7,496)
162,121	(92,273)	69,848	Health and Social Care Partnership	170,354	(95,581)	74,773
2,459	0	2,459	Requisitions	2,336	0	2,336
7,904	(3,830)	4,074	Subsidiaries	8,180	(3,609)	4,571
482,485	(227,809)	254,676	Net Cost of Service (1)	470,818	(236,812)	234,006
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						(84,847)
(104,759) Revenue Support Grant						(103,571)
(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						7,246
(5) = (1)+(2)+(3)+(4)						
337 Share of other Comprehensive Income and Expenditure of Associates and Joint Ventures						(2,566)
(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						(95,075)
16,061 Other Comprehensive (Income) and Expenditure (6)						(107,570)
57,467 Total Comprehensive (Income) and Expenditure (5)+(6)						(100,324)

Group Accounts (Cont'd)

Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the group, 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 group'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.

	Usable Reserves			Unusable Reserves			
	WDC Usable	Group Usable	Total Usable	WDC Unusable	Group Unusable	Total Unusable	Total
	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves	Reserves
	£000	£000	£000	£000	£000	£000	£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)
Movement in reserve 2019/20							
(Surplus) or deficit on provision of services	7,213	33	7,246	(101,097)	968	(100,129)	(92,883)
Other Comprehensive Expenditure and Income	(7,757)	(2,625)	(10,382)	7,757	(4,816)	2,941	(7,441)
Net Increase/(Decrease) before Transfers to Other Statutory Reserves	(544)	(2,592)	(3,136)	(93,340)	(3,848)	(97,188)	(100,324)
Transfers to/from other statutory reserves *	801	(13)	788	(851)	63	(788)	0
Closing Balance at 31 March 2020	(15,834)	(13,986)	(29,820)	(269,078)	(16,039)	(285,117)	(314,937)
2018/19 (Restated)							
Opening Balance at 1 April 2018	(22,458)	(11,878)	(34,336)	(224,297)	(14,600)	(238,897)	(273,233)
Movement in reserve 2018/19							
(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

The balance sheet shows the value, as at the balance sheet date, of the assets and liabilities recognised by the group. The net assets (assets less liabilities) are matched by the reserves held. Reserves are reported in two categories (page 38 provides a further explanation).

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	21,270
27	Long Term Debtors	23
7,987	Long term Investments	3,982
1,406	Heritage Assets	1,406
960,221	Total Long Term Assets	1,042,651
5,670	Asset Held for Sale	8,053
1,079	Inventories	1,245
45,176	Short Term Debtors	42,768
15,387	Cash and Cash Equivalents	19,505
67,312	Current Assets	71,571
(351)	Provisions	(232)
(3,097)	PPP & Finance Lease Liabilities	(3,605)
(47,495)	Short Term Creditors	(42,632)
(216,711)	Short Term Borrowing	(236,336)
(267,654)	Current Liabilities	(282,805)
759,879	Total Assets less Current Liabilities	831,417
(1,084)	Liabilities in Associates	(507)
(227,988)	Long Term Borrowing	(276,905)
(100,004)	PPP & Finance Lease Liabilities	(96,337)
(594)	Provision for liability	(657)
(207,144)	Net Pensions Liability	(134,402)
(7,299)	Capital Grants Receipts in Advance (conditions)	(7,672)
(544,113)	Long Term Liabilities	(516,480)
215,766	Total Assets Less Liabilities	314,937
	Represented by:	
27,869	Usable Reserves	29,820
187,897	Unusable Reserves	285,117
215,766	Total Reserves	314,937

The unaudited Financial Statements were authorised for issue on 30 June 2020 and the audited Financial Statements were authorised for issue on 25 November 2020.

Stephen West
Strategic Lead - Resources
West Dunbartonshire Council
25 November 2020

Group Accounts (Cont'd)

Group Cashflow Statement

The cash flow statement shows the changes in cash and cash equivalents of the group during the reporting period. The statement shows how the group 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 group.

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 £17.209m (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 £0.507m (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 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	2,581	(22)	(76)	519	3,002
Non Current Assets	11,153	0	165	0	11,318
Current Assets	6,981	74	184	4,057	11,296
Non Current Liabilities	(132)	0	(827)	0	(959)
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 £1.833m (2018/19 £0.234m net asset) and its deficit for the year was £0.005m (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 £0.061m (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	5	61	31	6	103
Non Current Assets	282	3,986	3,487	0	7,755
Current Assets	3,453	418	482	199	4,552
Non Current Liabilities	(325)	(657)	0	0	(982)
Current Liabilities	(1,577)	(442)	(44)	0	(2,063)
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 £30.025m (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 £314.937m (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	2019/20
£000	£000
14,541 Partnership for Transport	17,209
53 Concessionary Travel Board	29
(1,084) Valuation Joint Board	(507)
3,590 West Dunbartonshire Health & Social Care	4,032
234 West Dunbartonshire Leisure Trust	1,833
3,294 Clydebank Property Company	3,305
3,956 Common Good	3,925
204 Trust Funds	199
24,788 Total	30,025

Note 5 – Major Sources of Estimation Uncertainty

Covid -19 – similar to the uncertainty noted for the Council in Note 1, valuations of Non Current Assets are subject to material value uncertainty for other group entities. For avoidance of doubt, the inclusion of this declaration does not mean that the valuation cannot be relied upon, rather that it has been included to ensure transparency. Although this remains a generic uncertainty, it has been particularly highlighted for the Partnership for Transport.

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 (the council has no de minimum level set);
- 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 of Deficit on the Provision of Services. Impairment losses (or revaluation losses) will be recognised for any subsequent decrease to fair value less costs to sell following reclassification in the Surplus or Deficit on the Provision of Service even where there is a balance on the assets Revaluation Reserve.

8. Heritage assets

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

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

General Accounting Policies 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.

24. Loans Advances Repayment

In accordance with The Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016, the council has recalculated the repayments of the loans fund advances to reflect the life of the specific assets associated with the debt, using an annuity of 9%.

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.

General Accounting Policies and Information (Cont'd)

Note 34 – Critical Judgement in Applying Accounting Policies (cont'd)

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.

Note 35 – Change in Accounting Policy

Following a Loans Fund Review agreed by Council in 2018/19 regarding the appropriate debt write-off periods, the council has amended the accounting policy from the previous statutory write-off periods to a policy which writes-off debt in line with the expected useful lives of the associated assets, on an annuity basis, applying this policy for debt from 1996/97 onwards. The reprofiling results in reduced annual repayments of debt by spreading the repayments over a longer period.

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 37 – 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):

General Accounting Policies and Information (Cont'd)

Note 37 – Prior Year Adjustment (cont'd)

	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.

Independent auditor's report to the members of West Dunbartonshire Council and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of West Dunbartonshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Movement on the Housing Revenue Account Statement, Housing Revenue Account Income and Expenditure Statement, the Council Tax Account, and the Non Domestic Rates Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter: Additional uncertainty on property valuations

I draw attention to Note 1 in the financial statements, Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty, which describes the effects of material uncertainties that exist in property valuations due to the impact of the Covid-19 pandemic. My opinion is not modified in respect of this matter.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Strategic Lead – Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Strategic Lead - Resources and West Dunbartonshire Council for the financial statements

As explained more fully in the Statement of Responsibilities, the Strategic Lead – Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Strategic Lead – Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Strategic Lead – Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Council is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

Other information in the annual accounts

The Strategic Lead – Resources is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Fiona Mitchell-Knight FCA
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Glasgow
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DR A K GLEN & WEST DUNBARTONSHIRE TRUST FUNDS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 MARCH 2020

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Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Trustees' Annual Report

Introduction

The Trustees present the annual report together with the Financial Statements for the year ended 31 March 2020.

Administration Information

West Dunbartonshire Council is sole Trustee for all Trust Funds with the exception of Dunbartonshire Educational Trust Scheme 1962 and McAuley Prize for Mathematics. The table below identifies the Trustees for 2019/20.

Trust Funds	Charity Number	Trustees	Local Authority	Contact Address
Dr A K Glen	SC018701	Councillor Karen Conaghan Councillor David McBride Councillor Ian McLaren Councillor Brian Walker	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
Alexander Cameron Bequest	SC025070	Provost William Hendrie Councillor John Mooney Councillor Jim Brown Councillor Marie McNair Councillor Diane Docherty Councillor Jim Finn Councillor Daniel Lennie Councillor Douglas McAllister Councillor Lawrence O'Neill	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
UIE Award	SC025070	Councillor Jim Brown Councillor Ian Dickson Councillor Diane Docherty Councillor Jim Finn Councillor Daniel Lennie Councillor Caroline McAllister Councillor David McBride Councillor Jonathon McColl Councillor Iain McLaren Councillor John Mooney Councillor Martin Rooney	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL

Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Trustees' Annual Report (continued)

Trust Funds	Charity Number	Trustees	Local Authority	Contact Address
Vale of Leven Trust	SC025070	Councillor Jonathon McColl Councillor Martin Rooney Councillor Sally Page Councillor James Bollan Councillor Ian Dickson Councillor Caroline McAllister Councillor John Millar	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
Dunbartonshire Education Trust	SC025070	Councillor Karen Conaghan	West Dunbartonshire Council	West Dunbartonshire Council, Council Offices, Church Street, Dumbarton, G82 1QL
McAuley Prize for Mathematics	SC025070	Councillor John Mooney	West Dunbartonshire Council	
		Bailie Denis Agnew	West Dunbartonshire Council	
		Councillor Graham Archibald Hardie	Argyll & Bute Council	
		Councillor John Jamieson	East Dunbartonshire Council	
		Councillor Gillian Fannan	North Lanarkshire Council	
		Councillor Thomas Johnston	North Lanarkshire Council	

Objectives and in-year activity

The activities of each of the Trusts are detailed below:

SC018701 – Dr A K Glen

- This fund is for the benefit of the people of Dumbarton, to assist and relieve those in need by reason of age.

SC025070 – West Dunbartonshire Trusts

- Alexander Cameron Bequest - for the benefit of the people of Clydebank to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
- Vale of Leven Fund - for the benefit of the people of the Vale of Leven to assist those in need by reason of age, ill health, disability, financial hardship or other disadvantage;
- UIE Award - for students studying apprenticeships or training in industry;
- Dunbartonshire Educational Trust Scheme 1962- awards educational prizes and bursaries; and
- McAuley Prize for Mathematics - provides prizes for those studying maths and computing.

Alexander Cameron Bequest

The Alexander Cameron Bequest seeks to disburse available funds arising from investment income attained. Four grants were awarded during 2019/20, totalling £6,437 (£250 was returned during year as not subsequently required). During 2019/20, a grant from 2018/19 was subsequently not required in full and was returned (£850), reducing the net expenditure – after accounting for investment income - in year to £4,462.

Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Trustees' Annual Report (continued)

Alexander Cameron Bequest (continued)

Following consideration of an Investment Strategy during 2019/20, on 19 February 2020 the Trustees agreed to invest some funds differently to allow additional interest to be received in future, with no additional risk to the funds. This will be achieved by investing on a longer term basis with a fixed interest rate (end date of investment 18 February 2022).

Vale of Leven Fund

It was agreed by Trustees during 2016/17 that the funds should be disbursed in full, with publicising of the availability of the Trust being undertaken. The funds have now been disbursed in full, with three grants being awarded in 2019/20, totalling £2,794. The grants awarded leave the Fund with a nil balance, leading to the winding up of this Trust as previously agreed by its Board. OSCR confirmed removal from the Charities Register on 11 March 2020.

Trusts with no in-year activity

Dr A K Glen Fund Trust seeks to disburse available funds arising from investment income attained, with no funding applications received and no grant funding awarded during 2019/20.

The UIE Award Trust did not meet during 2019/20, with no funding applications received and no grant funding awarded. Work continues to review and modernise the Trust's governance arrangements to encourage funding applications in the future.

The Trustees for the Dunbartonshire Educational Trust Scheme 1962 and the McAuley Prize for Mathematics did not meet during 2019/20. The Trustees continue to seek clarification as to amendments to the governance arrangements. As these Trusts are governed by statute, discussions are ongoing between the Council (as Administrator) and Scottish Ministers and Office of the Scottish Charity Regulator (OSCR) regarding these arrangements.

Structure and Governance

Dr A K Glen and West Dunbartonshire Trust Funds are registered with the OSCR. The governance arrangements are under the control of West Dunbartonshire Council (the Council), which appoints trustees as required. Trustees are elected members of West Dunbartonshire Council with the exception of the Dunbartonshire Education Trust Scheme 1962 and McAuley Prize for Mathematics. The trustees of both the Dunbartonshire Educational Trust and the McAuley Prize for Mathematics are elected members from West Dunbartonshire Council, Argyll & Bute Council, East Dunbartonshire Council and North Lanarkshire Council.

Following a review of the governance documents, it was agreed at Council on 31 August 2016 that the remaining Trust Funds would be delegated to sub-committees as follows:

Trust	Delegation
Alexander Cameron Bequest	Alexander Cameron Committee
Vale of Leven Fund	Vale of Leven Sub-Committee
Dr A K Glen Fund	Dumbarton Trust Sub-Committee

Trustees' Annual Report (continued)

The trustees have overall responsibility for ensuring that there are appropriate systems of control, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trusts and enable them to ensure that the Financial Statements comply with Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and hence responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurances that:

- The trusts are operating efficiently and effectively;
- Assets are safeguarded against unauthorised use and disposition;
- Proper records are maintained and financial information used by the charities is reliable; and
- The trusts comply with relevant laws and regulations.

The systems of internal controls are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. The systems of internal control follow those of the West Dunbartonshire Council itself and, as such, much of this is delegated to the Council's Strategic Lead - Resources. The Council continually seeks to improve the effectiveness of its systems of internal control so that any irregularities are either prevented or quickly detected. The systems of internal control are based on a framework of regular management information, financial regulations, financial and administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability.

The Financial Statements and Trustees Report are prepared by the Finance Service within West Dunbartonshire Council.

The appointed external auditors are Audit Scotland. The Council has agreed to meet the cost of this audit and not pass this on to the trusts. This is to provide additional financial support to the trusts, ensuring that core funds are not eroded, and objectives can continue to be achieved.

The Trustees only meet as and when required during the year and will ensure that the required accounting arrangements are adhered to.

Management of Funds and Investment Policy

Decisions regarding the management of the trusts are made by the Trustees. Trustees rely on the expertise of Council staff to manage the investments to ensure the maximum return at the least risk to the Trusts. In this way, the income stream for the future benefit of the Trusts is protected.

Funds available are invested each year with interest earned. Investments are made both internally and externally, with the majority invested in the Council's Loans Fund and externally managed by West Dunbartonshire Council.

Performance

Income for Dr A K Glen & West Dunbartonshire Trusts comes from investment returns. The average interest rate for any internal investments with the Council's loans fund was 0.74%.

Trustees' Annual Report (continued)

Dunbartonshire Educational Trust Scheme 1962 continues to receive income from external investments i.e. 3% Clydeport and 4% Clydeport Consolidated Stock. These investments are managed by West Dunbartonshire Council and achieved investment income of £10 in 2019/20.

Financial Review

The total balance on the Trusts as at 31 March 2020 (including stocks) is £277,237.

On 8th July 2016 Clydeport Operations Ltd delisted 3% and 4% stocks from the London Stock Exchange. These are stocks held by Dumbarton Educational Trust. Until further information is available it has been assumed that the balance of this stock has remained the same as the previous year (£218).

The trusts held cash and bank balances at 31 March 2020 of £277,019. Reserves are held by the Council on behalf of the trusts and revenue income, generated from investment interest that has not been disbursed at 31 March every year, is invested in line with the investment policy outlined above.

Declaration

This report was signed on behalf of the Trustees on 25 November 2020 by:

Councillor Jonathan McColl
West Dunbartonshire Council
25 November 2020

Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Statement of Receipts and Payments Account

Statement of Receipts & Payments Account for the Year Ended 31 March 2020

(Surplus)			(Surplus)		
Receipts	Payments	/Deficit	Receipts	Payments	/Deficit
2018/19	2018/19	2018/19	2019/20	2019/20	2019/20
£	£	£	£	£	£
(161)	864	703	(182)	0	(182)
(576)	0	(576)	(675)	0	(675)
(138)	0	(138)	(161)	0	(161)
(825)	29,390	28,565	(875)	5,337	4,462
(35)	3,639	3,604	0	2,794	2,794
(155)	0	(155)	(182)	0	(182)
<hr/>			<hr/>		
(1,890)	33,893	32,003	(2,075)	8,131	6,056
Total					

Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Statement of Balances

Statement of Balances as at 31 March 2019

Opening Balance 2018/19 £	(Surplus) /Deficit 2018/19 £	Closing Balance 2018/19 £	Note		Opening Balance 2019/20 £	(Surplus) /Deficit 2019/20 £	Closing Balance 2019/20 £
(25,191)	703	(24,488)		Cash and Bank	(24,488)	(182)	(24,670)
(88,951)	(576)	(89,527)		Dunbartonshire Educational Trust Scheme 1962	(89,527)	(675)	(90,202)
(21,530)	(138)	(21,668)		McAuley Prize for Mathematics	(21,668)	(161)	(21,829)
(148,666)	28,565	(120,101)		Alexander Cameron Bequest	(120,101)	4,462	(115,639)
(6,398)	3,604	(2,794)		Vale of Leven Fund	(2,794)	2,794	0
(24,342)	(155)	(24,497)		UIE Award	(24,497)	(182)	(24,679)
(315,078)	32,003	(283,075)		Total Cash and Bank	(283,075)	6,056	(277,019)
				Investment			
(218)	0	(218)	5	Dunbartonshire Educational Trust Scheme 1962	(218)	0	(218)
(218)	0	(218)		Total Investment	(218)	0	(218)
(315,296)	32,003	(283,293)		Overall Total	(283,293)	6,056	(277,237)

All funds are unrestricted which means they may be used for any purpose relevant to the Trust Fund.

The audited Financial Statements were issued on 25 November 2020.

Signed on behalf of the Trustees by:-

Councillor Jonathan McColl
West Dunbartonshire Council
25 November 2020

Notes to the Financial Statements

Note 1 - Basis of Accounting

The Financial Statements have been prepared on a receipts and payments basis and in accordance with the Charities & Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

Note 2 – Trustee Remuneration, Expenses and Related Party Transactions

- No remuneration or expenses were paid to the Trustees or any connected persons during the 2019/20;
- The Trusts received interest of £2,064 from the Council at 31 March 2020, and all transactions incoming and outgoing are made via the Council's bank accounts; and
- The Council has not charged the charity any fees for legal, financial or administrative services provided during the year.

Note 3 – Grants

In 2019/20 the following grants were awarded:

Alexander Cameron Bequest

- £625 to Young at Heart for a Christmas lunch;
- £512 to Faifley Art Group as a contribution towards an outing;
- £3,500 to Clydebanks East Community Council as a contribution towards a gala day, with £250 subsequently returned as not required; and
- £1,800 to 1st Clydebanks Guides and Rangers for investment in SVQ qualification.

£850 was awarded to Old Kilpatrick Community Council during 2018/19 as a contribution towards a celebration of the end of the First World War. This was returned in full to the Trust in 2019/20 as it was no longer required.

Vale of Leven Fund

- £1,500 to Oakbank Tenants Social Club to provide exercise for the elderly and infirm;
- £647 to West Dunbartonshire Community Foodshare for a contribution to running costs; and
- £647 to Food for Thought for a contribution to running costs.

The payment of these three grants disbursed the remaining balance in the Fund, allowing the Fund to close as previously agreed by the Trustees.

Note 4 – Cash and Bank Balances

During the year the trusts balances were held by the Council, which manages the administration of the funds on behalf of the Trustees. No costs were incurred by the trusts for this administration. The Council also acts as the banker for the trusts and, as detailed above, all transactions incoming and outgoing are made via the Council's accounts. The balances are repayable on demand. Interest is paid on balances.

Dr A K Glen and West Dunbartonshire Trust Funds
Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements (continued)

Note 5 – Investment

Dunbartonshire Educational Trust - The investment valuation of £218 (shown in the table below) is the market value as at 31 March 2016, as valued by West Dunbartonshire Council. Notification was received that the stocks were delisted in July 2016. There has been no further update on this and therefore the assumption is that the market price remains the same.

Purchase Price as at 31 March 2019 £	Market Price as at 31 March 2019 £	Investment	Purchase Price as at 31 March 2020 £	Market Price as at 31 March 2020 £
(289)	(199)	4% Clydeport authority	(289)	(199)
(35)	(19)	3% Clydeport Authority	(35)	(19)
(324)	(218)	Total	(324)	(218)

Alexander Cross Cameron – Following the decision on 19 February, £40,000 was invested on a short term variable interest rate basis, with the remainder invested on a fixed term basis with West Dunbartonshire Council for two years at 2.52%.

Note 6 – Audit Fee

The audit fee for the year of £2,100 (£2,100 2018/19) was absorbed by West Dunbartonshire Council.

Independent auditor's report to the trustees of Dr A K Glen & West Dunbartonshire Trust Funds and the Accounts Commission

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Dr A K Glen & West Dunbartonshire Trust Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments Account, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charities for the year ended 31 March 2020 and their statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charities, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's website](#). This description forms part of my auditor's report.

Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

Matters on which I am required to report by exception

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Richard Smith CPFA
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

Richard Smith is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

West Dunbartonshire Council
Report by the Chief Officer - Resources
Audit Committee: 10 March 2021

Subject: Treasury Management Mid Year Report 2020/2021

1. Purpose

- 1.1** The purpose of this report is to provide Members with the opportunity to further scrutinise the Treasury Management Mid Year which was previously reported to Council on 16 December 2020.

2. Recommendations

- 2.1** Members are requested to further consider the information provided within the Treasury Management Mid Year Report as appended to this report.

3. Background

- 3.1** In accordance with the Treasury Policy governing the Council's treasury management activities during 2020/21, the Strategic Lead - Resources is required to provide a mid year Report to Members regarding the Treasury function.
- 3.2** The mid year report covers the period 1 April 2020 to 30 September 2020 and details the current position (where appropriate) and revises the 2020/21 estimates where required.
- 3.3** The Audit Committee is responsible for ensuring effective scrutiny of the treasury management strategy and policies.

4. Main Issues

Treasury Management Stewardship Report

- 4.1** A copy of the report is attached as Appendix 1.
- 4.2** The report provides details of key changes to the Council's capital activity (the prudential indicators), the economic outlook, the actual and proposed treasury management activity (borrowing and investment) and the risk approach to treasury management (the treasury management indicators).
- 4.3** The revised estimate for gross capital expenditure during 2020/21 (Table A) has decreased by £24.747m from the original estimate due to revision to the ongoing forecast outturn figures for both the General

Services capital plan and the HRA capital plan which are regularly reported to Members (mainly additional slippage carried forward from 2019/20 following the year-end; additional spend linked to an increase in grant income now anticipated; and slippage in spend projected for 2020/21, mainly due to covid-19).

- 4.4** The external debt figures included within Table C includes both short term and long term debt due to a strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates.

5. Option Appraisal

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

6. People Implications

- 6.1** There are no personnel issues.

7. Financial and Procurement Implications

- 7.1** There are no direct financial or procurement implications arising from this report.

8. Risk Analysis

- 8.1** Although the appended report provides a mid year position in relation to treasury management there are three main risks associated with the formulation of prudential indicators and the treasury management strategy as detailed in Appendix 1. These risks are noted below; however the Council has robust monitoring processes in place and provides regular reports to Council and ensures further scrutiny by elected Members at the Audit Committee:
- (a) Capital receipts which affect the capital financing and borrowing requirement may not materialise and if this occurs then additional borrowing will be required in order to fund the financing requirement;
 - (b) The risk of Counterparties default (i.e. loss of principal sum invested) must also be taken into account; however the Council has robust controls included within its treasury management and investment strategies that will assist in mitigating this risk; and
 - (c) Capital inflation may increase capital expenditure levels, which in turn may affect the capital financing and borrowing requirement leading to an increase in borrowing, assuming no additional capital receipts are available.

9. Equalities Impact Assessment

9.1 No equalities impact assessment was required in relation to this report.

10. Environmental Sustainability

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

11. Consultation

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

12. Strategic Assessment

12.1 Proper budgetary control and sound financial practice are cornerstones of good governance and support Council and officers to pursue the 5 strategic priorities of the Council's Strategic Plan.

12.2 Treasury management contributes to the Financial Strategy via the interdependency that exists between pro-active treasury management and the formulation of long term financial plans.

Stephen West
Chief Officer – Resources
Date: 25 January 2021

Person to Contact: Gillian McNeilly, Finance Manager
Council Offices, Church Street, Dumbarton
Email: gillian.mcneilly@west-dunbarton.gov.uk

Appendix: Appendix 1: Mid Year Monitoring Report 2020/21
Treasury Management and Prudential Indicators
1 April 2020 to 30 September 2020

Background Papers:

1. Loans register and portfolio;
2. Debt rescheduling schedules; and
3. Prudential Indicators 2019/20 to 2029/30 and Treasury Management Strategy 2020/21 to 2029/30 (Council 4 March 2020)

Wards Affected: No wards directly affected.

Mid Year Monitoring Report 2020/21

Treasury Management and Prudential Indicators: 1 April 2020 to 30 September 2020

1. Introduction

1.1 The Council's treasury management activities are regulated by a variety of professional codes and statutes and guidance:

- The Local Government in Scotland Act 2003 (the Act), which provides the powers to borrow and invest as well as providing controls and limits on this activity;
- The Act permits the Scottish Ministers to set limits either on the Council or nationally on all local authorities restricting the amount of borrowing which may be undertaken (although no restrictions have been made as yet during 2020/21).
- Statutory Instrument (SSI) 29 2004, requires the Council to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, and therefore to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services; and the treasury activity with regard to the CIPFA Code of Practice for Treasury Management in Local Authorities.
- Statutory Instrument (SSI) 123 2016, set out statutory arrangements for local authority borrowing and lending and the requirement to maintain a loans fund and replace the statutory arrangements set out in Schedule 3 of the Local Government (Scotland) Act 1975 (Schedule 3).

1.2 The regulatory framework of treasury management requires that the Council receive a mid year treasury review, in addition to the forward looking annual treasury strategy and backward looking annual treasury report required previously. This report meets that requirement and also incorporates the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators. The treasury strategy and prudential indicators were previously reported to Council on 4 March 2020. The current position is shown (where appropriate) and revisions to the 2020/21 estimate are provided where required.

1.3 In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities require to prepare a Capital Strategy which provides the following:

- a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services;
- an overview of how the associated risk is managed; and
- the implications for future financial sustainability

The Council's Capital Strategy was reported to and agreed by Council on 4 March 2020.

1.4 This report sets out:

- Key changes to the Council's capital activity (the prudential indicators);
- An economic update for the first part of the 2020/21 financial year;
- The actual and proposed treasury management activity (borrowing and investment); and
- The risk approach to treasury management (the treasury management indicators).

2. Key Prudential Indicators

2.1 This part of the report is structured to update:

- The Council's capital expenditure plans and how these plans are being financed;
- The impact of the changes in the capital expenditure plans on the PIs and the underlying need to borrow;
- Compliance with the limits in place for borrowing activity; and
- Policy on the statutory repayment of loans fund advances

2.2 **Capital Expenditure** – Table A shows the current position and revised estimates for capital expenditure for 2020/21 only.

Table A:

£000	2020/21 Original Estimate	Current Position	2020/21 Projected Outturn
General Services	67,437	16,150	49,602
HRA	60,006	23,494	48,300
Capital Expenditure	127,442	39,644	97,902
Financed by:			
Capital receipts	14,218	87	5,719
Capital grants	26,115	10,435	26,935
Revenue / other	7,574	0	7,810
Net financing need for the year	79,535	29,122	57,438

2.2.1 The movement in the level of anticipated capital expenditure is mainly due to the inclusion of additional slippage following the year end; a reduction in anticipated capital receipts; an increase in spend related to external funding offset by slippage levels identified to date (more significant in the current year due to Covid-19). The anticipated spends and resources are regularly reported to Members through budgetary control reports.

2.3 **Impact of changes in Capital Expenditure Plans** – Table B shows the CFR, which is the underlying external need to borrow for a capital purpose while Table C shows the expected debt position over the period.

Table B:

£000	2020/21 Original Estimate	2020/21 Projected Outturn
Opening CFR (1 April 2020)	626,832	600,739
New Borrowing	69,830	50,330
LTL repayment in year	(3,099)	(3,097)
Closing CFR (31/3/21)	693,564	647,972
movement in CFR	66,731	47,233
Net financing need for the year (Table A)	79,535	57,438
Loan repayments in year - excluding LTL (PPP)	(9,705)	(7,108)
New Borrowing - Movement in CFR (from previous year)	69,830	50,330

Table C:

£000	2020/21 Original Estimate	Current Position	2020/21 Projected Outturn
External Debt			
Estimated/Actual Debt at 1 April 2020	517,855	489,772	509,677
Maturing Debt	(221,628)	(143,230)	(221,628)
Movement in Borrowing			
New Borrowing - Maturing Debt	221,628	143,230	221,628
Borrowing adjustment in relation to over borrowing at year end	0	0	(8,880)
New Borrowing – CFR (Table B)	70,342	0	50,330
Debt at 31 March (1)	588,193	458,002	551,127
Long Term Liabilities (LTL) at 1 April	100,002	99,942	99,942
LTL repayment in year (Table B)	(3,611)	(1,803)	(3,605)
LTL at 31 March (2)	96,391	98,140	96,377
Actual Debt at 31 March (1) + (2)	684,585	556,142	647,644
CFR from Table B	693,564	n/a	647,972
Under/(Over) Borrowing	8,979	n/a	508

2.3.1 The external debt figures included within Table C now includes both short term and long term debt. This is due to the current strategy of using short term borrowing to fund long term capital investment enabling the Council to take advantage of lower interest rates. The reduction in the estimated external debt for 2020/21 is due to a reduction in the net capital financing need for the year.

2.3.2 The CFR is calculated on a year end position based on the Council's balance sheet and therefore the current position is not shown. The CFR has reduced from the original estimate due to the forecast level of capital expenditure in 2020/21 being less than budgeted. The Strategic Lead - Resources can

report that the Council is currently on target to meet the 2020/21 revised estimates for both indicators.

- 2.3.3** Table C highlights that the borrowing of the Council is forecasting a minimal under-borrowed position against the CFR at 31 March 2021.

- 2.4 Compliance with the limits in place for borrowing activity** – A key control over the treasury activity is a prudential indicator to ensure that over the medium term, gross borrowing will only be for a capital purpose.

Gross borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2020/21 and next two financial years. This allows some flexibility for limited early borrowing for future years.

The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent. The revised indicator is detailed in Table D and is illustrated by comparing the estimated gross debt as at 31 March 2021 with the CFR as at 31 March 2023. The Strategic Lead - Resources reports that no difficulties are envisaged for the current year in complying with this prudential indicator.

Table D:

£000	2020/21 Original Estimate	2020/21 Projected Outturn
CFR at 31 March 2020		
2019/20 Estimate/Actual (From Table B above)	626,832	600,739
Estimated movement in CFR		
2020/21 (From Table B above)	66,731	47,233
2021/22	32,497	67,412
2022/23	44,521	44,521
Anticipated CFR at 31 March 2023	770,582	759,905
Gross Debt at 31 March 2021 (From C above)	684,585	647,464

- 2.4.1** The Operational Boundary is detailed in Table E below and is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

Table E:

£000	2020/21 Original Estimate	Current Position	2020/21 Projected Outturn
External Debt	753,043	556,142	712,210

- 2.4.2** A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which is detailed in Table F and represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the

expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Table F:

£000	2020/21 Original Estimate	Current Position	2020/21 Projected Outturn
External Debt	831,501	556,142	776,957

3. Economic Outlook (November 2020)

- 3.1** The mid-year update normally covers to September is reported to Members in October, in 2020/21 this has been postponed primarily due to covid-19 and therefore the economic update reflects the outlook as at November 2020.

UK

- 3.2** The Bank of England most recently voted unanimously to keep interest rates on hold at 0.1%. In addition, they have decided to increase their quantitative easing programme by an additional £150bn, which will start in January 2021. The central bank expects GDP to not fully recover until after Q3 2022, which was their initial forecast. The inflation rate is forecasted to end at 0.6% this year and unemployment is expected to end at 6.3% this year.
- 3.3** The UK economy grew by 15.5% in the three months to September 2020, the most on record and compared with market consensus of 15.8%, as restrictions on movement eased across June, July, August and September. Considering September only however, output expanded by 1.1% month on month the fifth consecutive month of expansion even though new lockdown measures were introduced. The year on year figure fell by 9.6% for Q3 of 2020, compared to the previous period's 21.5% contraction.
- 3.4** The annual inflation rate in the United Kingdom crept upwards to 0.7% in October of 2020 from 0.5% in September, slightly outperforming market expectations of 0.6%. This is the highest reading in three months, led mainly by a rebounds in the prices of clothing, food and furnishings.
- 3.5** The number of people in work in the UK fell by 164,000 on quarter to 32.51 million in the three months to September of 2020, compared to forecasts of a 148,000 fall. The unemployment rate in the UK increased to 4.8% in the three months to September of 2020, higher than 4.5% in the previous period and 3.9% a year earlier. It is the highest jobless rate since the last quarter of 2016, amid the coronavirus-hit. The number of people claiming for unemployment benefits in the United Kingdom fell by 29,800 to 2.6 million in September of 2020, following a revised 40,200 decrease in the previous month and beating market expectations of a 50,000 rise. Average weekly earnings (excluding bonuses) rose by 1.9% year on year in the three months to September compared to a 0.9% year on year rise in the three months to August, above market forecasts of a 1% year on year rise.

- 3.6** Having left the EU on the 31st of January 2020 and entered the transition period, attention will now focus on the success of the UK's attempt to negotiate a free trade treaty with the EU.

International update

- 3.7** The US economy expanded by an annualised 33.1% in Q3 2020, beating forecasts of a 31% surge. It is the biggest expansion ever, following a record 31.4% plunge in Q2, as the economy rebounds from the coronavirus pandemic. Meanwhile, the Federal Reserve voted to leave the federal funds rate unchanged once again in their November meeting. They also confirmed that rates will remain low until the labour market is sufficiently consistent with maximum employment.
- 3.8** In the Eurozone the latest reading pointed to neither growth nor contraction in manufacturing and services activity. The Eurozone economy shrank by 4.4% year on year in Q3 of 2020, easing from a record slump of 14.8% seen during Q2 and very close to market expectations of a 4.3% contraction.
- 3.9** At its October meeting, the European Central Bank left its key interest rates and COVID-19 stimulus package unchanged as they took a wait-and-see approach until more insightful projections are released in December, allowing for a more thorough assessment of the economic outlook. This means that they will continue with their pledge to buy up to €1.35 trillion worth of debt through June 2021 under their Pandemic Emergency Purchase Programme and maintain interest rates until inflation is sufficiently close to but below 2%.

4. Interest Rate Update

- 4.1** **Last year the** Public Works Loan Board (PWLb) increased interest rates as a result of significant high levels of borrowing by a number of English Councils. The UK Government recently ran a consultation on the future of the Public Works Loan Board (PWLb). As an outcome of this review HM Treasury has concluded their findings and published revised lending terms for the PWLB with rates updated as follows:

- PWLB Standard Rate is gilt plus 100 basis points (G+100bps); and
- PWLB Certainty Rate is gilt plus 80 basis points (G+80bps).

- 4.2** These new terms apply to all loans arranged from 26 November 2020. In addition, further reforms will also be implemented and guidance will be provided to support councils to determine if a proposed project is an appropriate use of PWLB loans. The government will monitor the implementation of these reforms to make sure that the new lending arrangements are working as intended. The new lending terms include:

- councils will be asked to submit a high-level description of their capital spending and financing plans for the following three years, including their expected use of the PWLB;
- the PWLB will ask the s95 Officer to confirm that there is no intention to buy investment assets primarily for yield at any point in the next three years. This restriction applies on a 'whole plan' basis – meaning that the PWLB will not lend to any council which plans to buy investment assets

primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB; and

- when applying for a new loan, the local authority will be required to confirm that the plans they have submitted remain current and that the assurance that they do not intend to buy investment assets primarily for yield is still accurate.

3.11 The Council's treasury advisor, Link Asset Services, has provided the following interest rate forecast. As at November 2020 (following the recent announcement in changes to PWLB rates) :

Table G:

Link Group Interest Rate View		9.11.20 (The Capital Economics forecasts were done 11.11.20)											
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	

3.12 Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- UK - further waves of virus infections requiring further national lockdowns;
- UK / EU trade negotiations – if it were to cause significant economic disruption and a fresh major downturn in the rate of growth;
- UK - Bank of England takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate;
- A resurgence of the Eurozone sovereign debt crisis. The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for “weaker” countries. These actions will help shield weaker economic regions for the next year or so. However, risks remain around high levels of debt and the cost of covid; and
- Weak capitalisation of some European banks, which could be undermined further depending on extent of credit losses resultant of the pandemic.
-

3.12 Upside risks to current forecasts for UK gilt yields and PWLB rates are as follows:

- UK - stronger than currently expected recovery in UK economy;
- Post-Brexit – if an agreement was reached that removed the majority of threats of economic disruption between the EU and the UK; and
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.

4. Treasury Management Activity

4.1 This part of the report is structured to update:

- The Council's expected borrowing need and details of under/(over) borrowing;
- Debt rescheduling and new borrowing;
- Debt charges; and
- Investments

4.2 **The Expected Borrowing Need** – This was set out in Table C (above) and demonstrates that at 30 September 2020 Council is currently projecting and under-borrowed position to reduce risks in investments held and the cost of carry on investments. Current investments yield approx 0.10%, long term borrowing rates for periods greater than 25 years are currently between 1.57% to 1.93%, depending on length of term for borrowing. It should be noted that due to the recent announcement on PWLB interest rates, the borrowing rates are significantly different than in September 2020, when long term borrowing rates for periods greater than 25 years are currently between 2.42% to 2.76%, depending on length of term for borrowing. This introduces an element of interest rate risk, as longer term borrowing rates may rise; however, this position is being carefully monitored.

4.3 **Debt rescheduling and new borrowing** – The Council has not undertaken any debt rescheduling during the first half of 2020/21. In the year to date naturally maturing debt of £143.230m has been repaid which has been mainly funded by loans from other local authorities.

4.4 **Debt Charges** – The revised estimate for debt charges for both the General Fund and the HRA is shown in Table H.

Table H:

£000	2020/21 Original Estimate	Current Position	2020/21 Revised Estimate
Borrowing	21,565	10,783	21,565
Other Long Term Liabilities	10,777	5,389	10,777
Total	32,342	16,172	32,342

4.5 **Investments** – The objectives of the Council's investment strategy are to ensure the re-payment of the principal and interest of its investments on time with the level of investment return being a secondary objective. Following on from the economic background above, the current investment climate has one over-riding risk consideration which is the risk of default.

4.5.1 The Council held £16.178m of cash investments at 30 September 2020, and the constituent parts of the investment position are detailed in Table I:

Table I:

£000	Country	< 1 Year	1 – 2 Years	2 – 3 Years
Banks	UK	1,178	Nil	Nil
Money Market Fund		11,000	Nil	Nil

Local Authorities		4,000	Nil	Nil
Total		16.178	Nil	Nil

4.5.2 Table J details the revised budget position for investment income. The original estimate has decreased by £0.019m due to ongoing interest rates.

Table J:

£000	2020/21 Original Estimate	Current Position	2020/21 Revised Estimate
Investment Income	75	32	56

4.5.3 A regulatory development to address risk is the consideration and approval of benchmarks relating to investment security, liquidity and the level of return. Benchmarks are currently widely used to assess the level of return and investment performance, however the application of security and liquidity benchmarks are more subjective in nature.

- **Security** - The Council's maximum security risk benchmark for the current portfolio in relation to investment periods of up to one year (when compared to historic default tables) was set at 0.09% and the Strategic Lead - Resources can report that there have been no defaults of principal sums invested in the year to date.
- **Creditworthiness** - Although the credit rating agencies changed their outlook on many UK banks from stable to negative outlook during the quarter ended 30th June 2020 due to upcoming risks to banks' earnings and asset quality during the economic downturn caused by the pandemic, the majority of ratings were affirmed due to the continuing strong credit profiles of UK banks. However, during Q1 and Q2 2020, banks made provisions for expected credit losses and the rating changes reflected these provisions. As we move into the next quarters ahead, more information will emerge on actual levels of credit losses.
- **Liquidity** – The Strategic Lead - Resources can report that liquidity arrangements were adequate during the year to date and that the liquidity facilities and benchmarks set by the Council as noted below were maintained:
 - Bank overdraft - £1.000m; and
 - Liquid short term deposits of at least £5.000m available on an overnight basis.
- **Return on Investments** – The Strategic Lead - Resources can report that investment return to date average 0.36%. Table K illustrates how this average return compares with the local benchmarks.

Table K:

Benchmark	Benchmark Return	Average Return
7 day LIBID rate	-0.06%	0.36%
1 month LIBID rate	-0.02%	0.36%
Council's Instant Access Account	0.10%	0.36%

- **Negative investment rates-** While the Bank of England has said that it is unlikely to introduce a negative Bank Rate, at least in the next 6 -12 months, some deposit accounts are already offering negative rates for shorter periods (as can be seen from above). As part of the response to the pandemic and lockdown, the Bank and the Government have provided financial markets and businesses with plentiful access to credit, either directly or through commercial banks. In addition, the Government has provided large sums of grants to local authorities to help deal with the Covid crisis; this has caused some local authorities to have sudden large increases in investment balances searching for an investment home, some of which was only very short term until those sums were able to be passed on.

5 Key Treasury Management Indicators

5.1 This part of the report is structured to update:

- Actual and estimates of the ratio of financing costs to net revenue stream;
- Upper limits on interest rate exposure;
- The maturity structure of borrowing; and
- Total principal sums invested.

5.2 **Actual and estimates of the ratio of financing costs to net revenue stream** – This indicator (as shown below in Table L) identifies the trend in the cost of capital (financing costs net of interest and investment income) against the net revenue stream.

Table L:

	2020/21 Original Estimate	2020/21 Revised Estimate
General Fund	9.62%	9.34%
HRA	25.91%	24.84%

5.3 **Upper Limits On Fixed and Variable Rate Exposure** – These indicators identify a maximum limit for fixed and variable interest rates based upon the debt position and were set at 100% and 50% respectively for 2020/21. The Strategic Lead – Resources reports that the Council operates within these limits.

5.4 **Maturity Structures Of Borrowing** – These maximum limits are set to reduce the Council's exposure to large fixed rate loans (those instruments which carry a fixed interest rate for the duration of the instrument) which are due to naturally mature in any given period as detailed in Table M and show that the Council operates within limits set.

Table M:

Maturity Structure of Fixed Interest Rate Borrowing	2020/21 Original Limits	Current Position
Under 12 months	50%	32.48%
12 months to 2 years	50%	9.33%
2 years to 5 years	50%	5.20%
5 years to 10 years	50%	4.34%
10 years to 20 years	50%	8.13%
20 years to 30 years	50%	5.17%
30 years to 40 years	50%	5.51%
40 years to 50 years	100%	18.28%
50 years to 60 years	100%	11.56%
60 years to 70 years	100%	0%

- 5.5 Total Principal Funds Invested** – These limits are set to reduce the need to temporarily borrow to cover any unexpected expenditure, and show limits to be placed on investments with final maturities beyond each year-end. The Council currently invests sums for periods greater than 365 days in Clydebank Property Company and hub West Scotland as detailed in Table N.

Table N:

	2020/21 Original Estimate	Current Position	2020/21 Revised Estimate
Principal sums invested > 365 days (maximum limit £7m)	£0.495m	£0.495m	£0.495m

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – People & Technology

Audit Committee: 10 March 2021

Subject: Strategic Risks 2017-22

1. Purpose

1.1 To provide an update on the strategic risks for 2017-22.

2. Recommendations

2.1 It is recommended that the Committee note:

- The strategic risks as detailed at Appendix 1;
- Supplementary EU Assurance Plans as detailed in Appendices 2 and 3.

3. Background

3.1 The Council's strategic risk arrangements are now well-embedded. The appended risks were fully reviewed and added to in 2017 with re-assessment undertaken bi-annually before being reported to this committee. This report is submitted as agreed to the Corporate Services and Audit Committees on a bi-annual basis.

4. Main Issues

Strategic Risk

4.1 In line with the Council's Risk Management Framework, a re-assessment of the strategic risks has taken place as detailed within Appendix 1. Each risk is managed through internal controls, linked actions and associated milestones with the objective being to reduce or stabilise the level of risk through completion of linked actions over a period of time and / or ensure mitigation factors are adequate should the risks actually materialise.

4.2 Table 1 represents a risk dashboard that includes information on the original, current and target ratings for each strategic risk, as well as an assessment of the current risk status. Each strategic risk is identified and supported by more detailed information available on a "drill-down" basis in Appendix 1. Four Strategic Risks, associated actions and milestones are met, a further four are progressing as expected and likely to reach their assigned targets and SR011 and SR012 present particular challenges as set out at 4.7-4.12. As previously

reported, SR001 and SR002 are significantly off target and unlikely to reach the intended risk outcome.

Table 1 Key Strategic Risk Information

Strategic Risk	Original Risk 2017	Current Risk 2021	Target Risk 2022	Risk Status Rationale
SR 001 Financial Funding.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 002 School improvements.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 003 Council Assets.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 004 Information Technology.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 005 Partnerships.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 006 Citizens and Communities.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 007 Health and Safety of Employees and Others	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 008 Cyber Attack.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	
SR 009 Early Years Agenda.	 Likelihood Impact	 Likelihood Impact	 Likelihood Impact	

SR 010 Resourced Workforce.				
SR 011 EU Exit				
SR 012 Pandemic COVID – 19				

Risk Methodology and Reporting

4.3 Each strategic risk is populated in Pentana in terms of the following template:

- Risk title and code;
- Description;
- Ownership;
- Potential effect;
- Measures of impact;
- Risk factors;
- Internal controls;
- Risk opportunity; and
- Linked actions.

4.4 Each risk has been scored using a “4 x 4” matrix for likelihood and impact in relation to:

- Current risk (with review dates set at pre-determined intervals); and
- Target risk (i.e. 31 March 2022 - the duration of the Strategic Plan).

The risk descriptors used in the “4 x 4” matrix are as follows:

Likelihood

<u>Score</u>	<u>Descriptor</u>
1	Unlikely
2	Likely
3	Very likely
4	Certain

Impact

<u>Score</u>	<u>Descriptor</u>
1	Minor
2	Moderate

3	Significant
4	Critical

- 4.5** For ownership, each strategic risk is “Managed By” a Chief Officer and “Assigned To” Senior Management. Strategic risks are reported on a bi-annual basis to the Performance & Monitoring Review Group and Corporate Services Committee.

Service Risk

- 4.6** Following the methodology in 4.3 to 4.4 above, each service has service owned operational risk registers in Pentana; these will be updated through the 2021/2022 service planning process.

4.7 EU Exit SR011

On the 31st December, the Transition Period concluding EU Law jurisdiction in the UK, and access to the EU Single Market ended. The new relationship is now defined by the EU-UK Trade and Cooperation Agreement. The local key risks were identified as disruption of services, workforce, and congestion at sea and air ports, concerns around the supply of medicines, all potentially impacting locally. At this time, there are no major local issues arising as a result, however due to COVID lockdowns and restrictions it is hard to measure the impact as many businesses aren't operating or not at full capacity. Therefore, the Council will continue to monitor the key risks and address any issues locally or escalate to COSLA.

- 4.8** SR011 EU no deal Exit was assessed as high risk. As a consequence of the UK-EU Trade Cooperation Agreement, this risk should now begin to stabilise once local impacts become clearer (note renamed EU Exit). There are 11 actions associated with SR011, with multiple owners, the complexity of which does not sit well within the Council's monitoring system (Pentana). To avoid duplication, the established reporting to government agencies in the form of the previously reported EU Exit plans will be utilised for reporting changes to this committee as required. SR011 is monitored by the Operational Resilience Group (ORG).

- 4.9** The Council's Resilience Groups continue to work with the Civil Contingencies Service (CCS) to act as the main driver to support and monitor the new Trade and Cooperation agreement. To compliment this, there is frequent liaison with multi-agency partners to ensure a shared understanding of risks locally, regionally and nationally. The Civil Contingencies Officer participates in regular EU Exit calls hosted by COSLA and working with other LAs to address any issues and raise concerns to Scottish Government. The Action Plans were recently cross referenced with the updated UK Planning Assumptions of reasonable worst case scenarios and is a live document allowing officers to update their respective fields if and when required. The recent report to Leaders on the progression of EU Exit (also circulated to all Elected Members and Lay Members of the Audit Committee) which has allowed the Civil

Contingencies Officer to determine how this may impact us locally. The plan continues to be updated regularly and is available to view on the Council website.

4.10 Pandemic COVID-19 – SR012

The impact of COVID has resulted in the development of a significant number of procedures, assessments and mitigation to support the various Government initiatives and reduce the risk of spreading the virus among the workforce and local community as advised by Scottish Government, Health Protection Scotland and the Health and Safety Executive.

4.11 As a result, the Council has experienced significant COVID related budget spend across all service areas. This is currently in the region of £17m and is detailed in the COVID update report to February meeting of Council.

4.12 In respect of the strategic risk and consequent operational risks, four key areas have been identified and are listed below. The response and recovery landscape remains fluid.

- Business Continuity - 3 risks (1 Amber and 2 Green);
- Communication - 2 risks (1 Amber and 1 Green);
- Finance – 2 risks (Red)
- Protection & Perception - 5 risks (5 Green); and
- Other impacts - 14 risks (7 Amber and 7 Green).

5. People Implications

5.1 There are no people implications associated with this report.

6. Financial and Procurement Implications

6.1 There are no financial and/or procurement implications.

7. Risk Analysis

7.1 Failure to progress on risk management is likely to result in the Council being criticised by External Audit for not having an integrated approach to embedding risk management within the authority with the result that a “no scrutiny required” status will not be achieved.

7.2 Progressing with risk management will demonstrate that the Council is taking ownership of risk management so that effective measures will be put in place for the management of risk. The ability to demonstrate risk ownership should benefit the Council in terms of:

- Understanding risk and its potential impact on the Council’s priorities and objectives;
- Reducing insurance premiums going forward by recognising that a mature approach to risk management will contribute to a reduction in the number

- and value of claims across a range of insurance classifications;
- Contributing towards incident prevention based upon post-incident investigation;
- Meeting statutory/regulatory requirements; and
- Ensuring better partnership working with external and internal partners.

8. Equalities Impact Assessment (EIA)

- 8.1** An equalities screening was undertaken that identified no impact on a particular protected group.

9. Consultation

- 9.1** The strategic risks have been discussed with the Chief Officers and senior management representatives on the Operational Resilience Group.

10. Strategic Assessment

- 10.1** At its meeting on 25 October 2017, the Council agreed that its five main strategic priorities for 2017 - 2022 are as follows:

- A Strong local economy and improved employment opportunities;
- Supported individuals, families and carers living independently and with dignity;
- Meaningful community engagement with active empowered and informed citizens who feel safe and engaged;
- Open, accountable and accessible local government; and
- Efficient and effective frontline services that improve the everyday lives of resident

- 10.2** The strategic risks have been identified to complement the main strategic priorities.

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Date: 01/02/21

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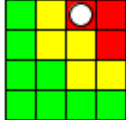
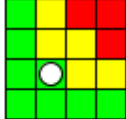
Appendices: Appendix 1: Detailed Strategic Risk List
 Appendix 2: WDC HSCP EU Exit Action Plan
 Appendix 3: WDC EU Exit Action Plan


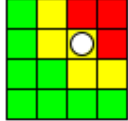
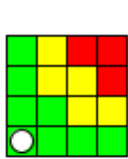
Background Papers: Report to Council on 25 October 2017 - West
Dunbartonshire Council Strategic Plan 2017-22
Risk Management Framework



Strategic Risk Report

Generated on: 19 February 2021


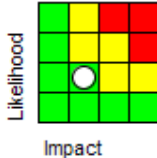
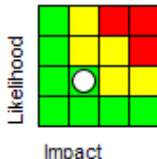
SR 001

	SR 001 Significant financial funding reductions / limitations from Scottish Government	Current Risk Matrix	Current Rating	Last Review Date
Description	<p>The Council is faced with significant ongoing funding reductions from the Scottish Government. Austerity or the financial impact of previous austerity measures is expected to continue for a number of years into the future and likely to result in funding reductions or limitations. This coincides with a period where costs are expected to rise in relation to Social Care due to an aging population and capped powers to raise funds through Council Tax. The ongoing population decline of West Dunbartonshire versus the average population for the whole of Scotland is also expected to generate ongoing funding reductions with little impact on service delivery cost/need.</p> <p>Covid-19 introduces a risk in relation to the potential net cost to the Council versus the ongoing funding support and/or financial flexibilities provided by the Scottish Government</p>		12	28-Jan-2021
Potential Effect	Shortfall in finances and therefore the Council is unable to provide all services as intended.		4	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> - Reduction in government grant - Demographic change (population decline/growth, aging population) - Cost reduction required including cutting level and/or quality of service provision - Increased Debt (collection of Council Tax, HRA rents, etc) 	Latest Note	<p>Given the impact of covid on the UK economy, together with continuing reduction to the Scottish population living in West Dunbartonshire, it is now expected that there will be a reduction in the general funding availability from the Scottish Government in 2021/22 onwards</p>	
Risk Factors	<ul style="list-style-type: none"> - Level of government grant - Lack of time to plan for changes in the level of grant funding due to single year settlements and settlement information from Scottish Government - Welfare reform - General inflationary factors - Significant additional burdens - Capital receipts 			
Internal Controls	<ul style="list-style-type: none"> - 10 year Financial Strategy subject to regular review - Monitor and maintain General Services and Housing Revenue Account prudential targets - Reporting and monitoring of Treasury Management Strategy - Budgetary control process - Regular budgetary control and savings monitoring reports provided to CMT and Council / committees - Rigorous debt collection processes - Annual Internal Audit Plan - Work of External Auditors (external control) - Annual Governance Statement - Procurement Improvement Plan 	Managed By	Stephen West	
		Assigned To	Gillian McNeilly	
Progress of Linked Actions				
Risk Opportunity	<ul style="list-style-type: none"> - Annual exercise to identify efficiencies - Projects to implement new ways of working (e.g. commercialisation, asset management) - Enhance the reputation of the Council as an organisation which manages its finances soundly 			

	SR 002 Failure to implement broad-ranging school improvement to raise attainment and achievement	Current Risk Matrix	Current Rating	Last Review Date
Description	This risk concerns the delivery of excellence and equity for our young people to support them to attain and achieve at the highest level. In particular, it is aimed at bridging the attainment gap and breaking the cycle of disadvantage. This also includes the focus on intervention at early years to improve life chances at all points on the learning journey. A key driver is the Council's participation in the Scottish Attainment Challenge which will be delivered over 4-years from 2015. Year 3 commenced in April 2017 and will bring together the workstreams to deliver a self improving school system programme.		9	28-Jan-2021
Potential Effect	The national expectation for education would not be delivered. Improved outcomes for young people would not be attained and achieved. The Council would fail to meet the needs of individual learners. The Service would fail to bridge the attainment gap and break the cycle of disadvantage. The Council would fail in its legal duty for the education of young people within West Dunbartonshire. There would be reputational damage to the service and the wider Council. There would be a lack of income generation from external funding sources.		1	31-Mar-2022
Measures of Impact	Examination results – Her Majesty’s Inspectors of Education inspection reports - validation reports - stakeholder feedback - local learning community attainment data - control group model - small test of change model - risk matrix model - bespoke model of intervention for young people and families at early stages to improve on attendance/lateness; social and emotional health; supports for mental health issues; parenting/behaviour management skills and early linguistic & cognitive development - pre/post intervention assessment - increased expectation of raising attainment being the responsibility of all - school to school collaboration with locally initiated bottom-up enquiry - higher level of Science Technology and Maths subject uptake in Science Technology and Maths secondary schools - increased numbers of learners entering related career pathways - standardised literacy and numeracy tests	Latest Note	<p>National data collection cancelled for session 2019/20 due to COVID. Scottish Attainment Challenge projects implementation delayed due to COVID. West Dunbartonshire Projects : early level play and learning, literacy and numeracy, school Improvement partnerships, multi – agency family hubs, skills academy</p> <p>A revised equity plan under development as part of the Education Recovery Plan with revisions to workstreams in the Service Delivery Plan to take account of recovery from impact of pandemic.</p> <p>Impact analysis of lockdown on school attainment is ongoing due to the extended period of school closures. On going uncertainty regarding pupil / staff absence; changes to the national qualifications; pupil well being and sustained engagement in learning.</p>	
Risk Factors	Staff resources - adequate funding for projects - workforce development - effective leadership - accurate and timely data collection - accurate and timely reporting - effective communication with partners and external agencies - disrupted learning - staff absence - pupil absence - adapted model of delivery to ensure safety - limiting curriculum flexibility - learning style flexibility - impact of COVID on social and emotional wellbeing - risk to funding streams Since March 2020 children have been at home working remotely for 7 months. There is increased risk of targets to narrow the attainment gap and increase attainment being affected. A contingency and recovery plan are in place. Therefore, this is not severe risk. However, it is predicted that there will be some impact due to extended periods of school closure.			
Internal Controls	Raising Attainment Strategy Project management by Service Manager Raising Attainment Project Board (led by Chief Education Officer) Termly progress reports submitted as part of Educational Service committee reports Relevant Continuous Professional Development programme to support education staff Meetings between WDC and Education Scotland/ Her Majesty’s Inspectors of Education	Managed By	Laura Mason	
		Assigned To	Julie McGrogan	


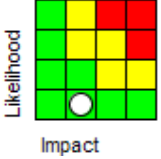
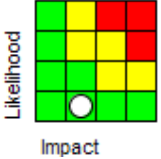
	Broad General Education Attainment and Performance Data School Improvement Literacy, Numeracy and HWB Steering Group National Improvement Framework (National Improvement Framework) Education Recovery Plan			
Progress of Linked Actions	E/1920DP/02DEI Develop and Deliver Educational Improvement Across West Dunbartonshire			Andrew Brown; Julie McGrogan
Risk Opportunity	Improved attainment - improved attendance - reduced exclusions - reduced violent incidents - reduction requirement for targeted support over time - reduction requirement for specialist placements over time - improved learning & community engagement - children/pupils at risk identified earlier and more effectively - more empowered community providing self-sustaining peer support - increase in the percentage and range of positive destinations over time - increased access to digital learning resources			




SR 003

	SR 003 Councils Assets	Current Risk Matrix	Current Rating	Last Review Date
Description	Risk: That the Council's assets and facilities are not fully fit for purpose with consequent adverse impact on our ability to deliver efficient and effective services. Assets included in this assessment are; the Council's property portfolio, housing stock, roads and lighting, fleet and open space		4	22-Jan-2021
Potential Effect	<ul style="list-style-type: none"> - Assets are not utilised in the most effective and efficient manner - Service cannot be properly delivered to the satisfaction of service users - Service users seek alternative service provision - Increase in reactive maintenance costs - Roads assets in poor conditions - Assets fail to meet relevant standards 		4	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> - Condition surveys - Suitability surveys - Road Condition SPI - Customer perceptions of service delivery - Investment levels in upkeep and improvement of asset base and facilities - Staff satisfaction - Operating costs and savings 	Latest Note	January 2021 Update, although budgets and asset management plans remain in place for management of Council Assets, it should be noted that COVID has impacted early year progress on programmes but not to the extent that would adversely affect the risk. Further COVID disruptions have inhibited full delivery of programmes that manage/invest in the assets.	
Risk Factors	<ul style="list-style-type: none"> - Adequacy of funding available to improve asset base - Adequacy of staff resources allocated to the area of asset management - Council buildings deemed to be unfit for existing purpose - Economic conditions may reduce level of potential capital receipts from surplus property sales - Over one third of the road network is in need of repair and the current long term capital funding only sustains a steady state condition of the road network - Increased public liability claims due to poor condition of roads network 			
Internal Controls	<ul style="list-style-type: none"> - Corporate Asset Management Strategy (scheduled refresh in 2nd half of 2021/22 year) - Schools Estate Strategy - Capital Investment Team - Existence of Asset Management Group with meetings held on a regular basis - Property Asset Management Plan 	Managed By	Angela Wilson	
		Assigned To	Craig Jardine; Michelle Lynn; Gail Macfarlane; Alan Young	

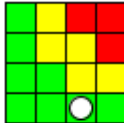
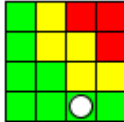
	<ul style="list-style-type: none"> - HRA Capital Investment Programme (refreshed and delivered annually) - Capital plan - Roads and Lighting Asset Implementation Plan - Fleet Asset Implementation - Open Space Asset Implementation Plan - Detailed asset database that shows relevant information on a property by property basis - Sustainability Policy - Housing Improvement Board - Housing Improvement Plan - Housing Asset Management Strategy 			
Progress of Linked Actions				
Risk Opportunity	<ul style="list-style-type: none"> - Enhance reputation of Council by being able to improve Council - Estate, assets and service delivery (e.g. new school buildings, operational building upgrades, office and depot rationalisation projects, housing investment programme to meet SHQS/ESSH, roads upgrade programme, vehicle replacement programme, greenspace upgrade projects) - Enhance employee "feel good" factor by providing modern office accommodation equipped with up to date IT facilities - Secure external funding for development of assets (e.g. EC, lottery, Historic and Environment Scotland) - Prioritised Building Upgrade Plan - The continued implementation of the energy efficient street lighting project will both improve the asset and reduce costs significantly through reduced maintenance, energy consumption and carbon output. - The effect of these energy efficiencies has demonstrated that significant savings and environmental benefit can be achieved through the utilisation of developing technology. 			

SR 004

	SR 004 Information Technology	Current Risk Matrix	Current Rating	Last Review Date
Description	Failure to keep pace with changing technology environment during periods of austerity and supplier rather than business led change		2	23-Dec-2020
Potential Effect	A lack of consistent, sufficiently robust planning in respect of ICT arrangements is likely to result in the Council being ill prepared to meet future demands in key service areas and lacking the capacity to respond effectively to changing need.		2	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> - Degree of compliance with security controls to prevent data loss through poor o/s patching, cyber attack, firewall configurations etc - Extent of wireless connections in the Council network – all schools and refurbished Office accommodation complete - Number of ICT Help Desk calls resolved within half day - exceeding target of 35%. Target was increased. - Extent of functionality development in key Council systems (i.e. lack of development beyond base system leading to ineffective management information) – several channel shift projects delivered and more are in progress Workforce mgnt self service, increased volume of web and intranet traffic, streamlined financial and purchasing processes, document management. - Fit for purpose Council website, delivering information and services to a significant percentage of the Council's customers. 	Latest Note	Dec 20. Continued investment in change and technology projects such as 365 to further enhance the digital capabilities within WDC.	

	<ul style="list-style-type: none"> - Provide efficient desktop services to meet changing workforce flexibility and property rationalisation requirements. Thin client deployment complete in corporate estate and started in Education. 5-year Device replacement programme in place. - Implementation of mobile and flexible working, enabling a downsizing of required office accommodation through enabling people to work more efficiently and to adopt a more flexible policy towards office accommodation and desk provision. Bridge St, Aurora, CTCO, Municipal, Church St complete. - Broadband speed in the Council area - WDC has 2nd highest broadband speeds in Scotland. Investigating funding options for fibre network. 			
Risk Factors	<p>Insufficient resourcing of ICT developments so that benefits and opportunities identified are not realised</p> <ul style="list-style-type: none"> - poor network security controls implemented. lack of intrusion detections alerts, failure to respond to audit / PSN test findings and recommendations, insufficient resources allocated to security tasks. Service redesigned and resources aligned to security tasks and improved monitoring processes and tools implemented. - Poor project and programme change management arrangements. - Poor quality of mobile communication provision. - Poor uptake on channel shift 			
Internal Controls	<ul style="list-style-type: none"> - Capital programme established for technology refresh projects - Information & Communication Technology (ICT) Policy - Governance structures such as ICT Steering Board, Education ICT Steering Board, Digital Transformation Board in place to support integrated planning and decision making in relation to ICT - Use of both internal IT resources from across the Council and skilled specialist advisers in key areas - Fit for purpose data centre (with remote back up site). New shared data centre went live in Dec 2014 and new WDC data centre live January 2018. WDC and EDC are taking a lead role on data centre sharing across Scotland 	Managed By Victoria Rogers Assigned To James Gallacher; Patricia Kerr; Brian Miller		
Progress of Linked Actions	P&T/2021/ICT/01 Deliver a secure and resilient IT Infrastructure		<div><div>75%</div></div>	Patricia Kerr; Victoria Rogers
	P&T/2021/ICT/02 Technologies to Support ICT Service Delivery Improvements		<div><div>40%</div></div>	Patricia Kerr; Victoria Rogers
	P&T/2021/ICT/03 Process Changes to Support ICT Service Delivery Improvements		<div><div>60%</div></div>	Patricia Kerr; Victoria Rogers
Risk Opportunity	<ul style="list-style-type: none"> - COVID-19 has increased the number of users and services working remotely. several manual processes amended and driving process reviews across the Council. - rapid deployment of conferencing technologies has helped drive demand and give visibility to importance and suitability of digital technologies and processes - annual network penetration tests - Annual PSN compliance audit - Annual External Audit on ICT Controls - Continued investment and Modernisation of ICT infrastructure and its focus on network security and resilience. - Provide 21st century state of the art technology for employees and service users - Rationalise IT systems - Use of innovative IT linked service delivery models to effect change - Provide Council employees with secure access to email and supporting systems at times and locations of choice - Increased use of mobile devices eg tablet devices and mobile phones. - Provide self service style systems to employees and the local community 			

SR 005


✓	SR 005 Partnerships	Current Risk Matrix	Current Rating	Last Review Date
Description	The Council fails to engage adequately with partnership bodies	 Likelihood Impact	3	08-Jan-2021
Potential Effect	failure of partnership impacts on Councils obligations under Community Empowerment Act	 Likelihood Impact	3	31-Mar-2022
Measures of Impact	partnership response to COVID19 Successful delivery of LOIP and supporting plans positive partnership inspections	Latest Note	Community planning partnership is well established with strong partnership working arrangements in place, reducing likelihood of this risk being realised	
Risk Factors	-COVID19 response is agency specific and leads to gaps and missed opportunities - inability to deliver improved outcomes which require strong partnership activity - Council's reputation is adversely affected through a failed partnership arrangement			
Internal Controls	- Robust partnership arrangements through community planning partnership - Align the Council's strategic plan with the Local Outcome Improvement Plan (LOIP) - Ensure that partners have signed up to deliver on the outcomes and targets set in the LOIP - Develop data sharing protocols with partner agencies - Participate in reform agenda as it impacts on Council area	Managed By	Amanda Coulthard	
		Assigned To	Amanda Coulthard	
Progress of Linked Actions				
Risk Opportunity	- Position West Dunbartonshire as a modernising Council			

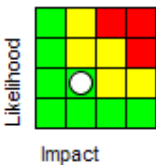


SR 006

✓	SR 006 citizens and communities	Current Risk Matrix	Current Rating	Last Review Date
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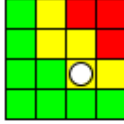
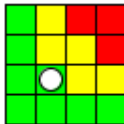
Description	The risk is that the Council does not establish or maintain positive communications with local residents and the communities it represents	 Likelihood Impact	4	08-Jan-2021
Potential Effect	<ul style="list-style-type: none"> - Tensions develop with citizens and local community groups -reputational damage to council services -lack of trust in service provision 	 Likelihood Impact	2	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> - informed and engaged citizens participating in consultation activity - telephone survey monthly, quarterly and annual measures -increased social media engagement and reach 	Latest Note	strong communication and engagement in place through the engaging communities framework	
Risk Factors	<p>pace of change in response to COVID19 means services may not be communicating fully and effectively</p> <p>citizens may be suffering from information overwhelm and not engage in the high volume of updates being shared by services</p> <p>Services are having to change and update plans in response to new information - meaning it can be difficult to keep up with current position and ensure the message is shared</p> <p>Lack of appropriate staff development / skills may be lacking to support new model of service delivery</p> <p>inequity of engagement across the partnership on key local issues</p> <p>council seen as unresponsive to community if feedback from engagement not acted upon</p> <p>apathy within communities leads to little or no engagement</p> <p>some community groups feel their voices are not being heard</p>			
Internal Controls	<ul style="list-style-type: none"> - Ensure robust mechanisms for public feedback (Embedding the Strategic Engagement Framework) - Annual budget consultation events - Citizens Panel - Open Forum questions at Council meetings - continue to deliver 4 issues of housing news each year - delivery of effective communications and public information through social media - use of telephone survey 	Managed By	Malcolm Bennie	
		Assigned To	Amanda Coulthard; Amanda Graham	
Progress of Linked Actions				
Risk Opportunity	<p>citizens are more comfortable with the digital platform as a result of the enforced cessation of face to face services - this presents an opportunity to modernise communication</p> <p>Community Empowerment Act</p> <p>participation requests</p> <p>asset transfer</p>			

SR 007

	SR 007 Health and Safety of Employees and Others	Current Risk Matrix	Current Rating	Last Review Date																
Description	Failure to meet the Council’s duty to protect the health, safety and welfare of its employees and other people who might be affected by its business, either in the provision of an effective health and safety management system or in ensuring adherence to that system as part of an embedded health and safety culture.	<div><div>Likelihood</div><table><tr><td>Green</td><td>Yellow</td><td>Red</td><td>Red</td></tr><tr><td>Green</td><td>Yellow</td><td>Yellow</td><td>Red</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Yellow</td></tr><tr><td>Green</td><td>Green</td><td>Green</td><td>Green</td></tr></table><div>Impact</div></div>	Green	Yellow	Red	Red	Green	Yellow	Yellow	Red	Green	Green	Green	Yellow	Green	Green	Green	Green	4	28-Jan-2021
		Green	Yellow	Red	Red															
Green	Yellow	Yellow	Red																	
Green	Green	Green	Yellow																	
Green	Green	Green	Green																	
		Target Risk Matrix	Target Rating	Target Date																

Potential Effect	Risk of an employee, service user, pupil (young person) or member of the public being seriously / fatally injured by fault of the Council. There are various risks associated with the outcome: reputational risk regarding negative publicity; financial risk in terms of claims management compensation to the injured party; risk of prosecution by the HSE resulting in a fine or, , Strategic Leads/Directors / Chief Executive being subject to criminal charges.		4	31-Mar-2022
Measures of Impact	Time and cost associated with in-house/HSE investigation. Service delivery impact in terms of injury-related absence and potentially enforced cessation of work activities. Impact of legal proceedings, in terms of costs, potential reputational damage and, worst case, risk of criminal charges.	Latest Note	Target Risk was reviewed and given current pandemic no change.	
Risk Factors	Resources, robust policies and practices, adequate H&S strategy.			
Internal Controls	<ul style="list-style-type: none"> • Council has in place a robust H&S policy and strategy (and separate Fire Risk Management Strategy) that includes service specific health and safety plans, duties and responsibilities for Strategic Directors, Strategic Leads, managers and employees. • Adequate H&S resources in place to fulfil statutory obligations in terms of the Health and Safety at Work etc. Act and the Management of Health and Safety at Work Regulations. • Embedded H&S culture that discusses H&S issues at a top level and cascades throughout the organisation through the health and safety committee system. • Monthly reports to PaMG on organisational safety performance. • Each link H&S Officer attends Service Strategic Lead meeting to report on service safety performance • Services have H&S committees at Service and Directorate level. • Workplace inspection and audit programme. • Service risk profiling. • H&S training needs analysis for every employee group. • Toolbox talks take place at directorate level. • The Council has in place a Trade Union Health and Safety Partnership Agreement. • Council promotes health and safety training for TUs to diploma level. 	Managed By	Victoria Rogers	
		Assigned To	John Duffy; Alison McBride	
Progress of Linked Actions	P&T/2021/H&S/01 Embed an organisational health and safety culture though extending organisational use of Figtree and understanding of health & safety			Alison McBride
Risk Opportunity	Demonstrate to committees, elected members, Trade Unions, employees, the community and other external partners of robust H&S culture.			


SR 008

	SR 008 Threat of Cyber-attack	Current Risk Matrix	Current Rating	Last Review Date
Description	Data, systems and/or infrastructure are impacted as result of security attacks which are increasing in number at a time when this threat is already placing demands on resources to deliver increased levels of security controls.	 Likelihood Impact	6	19-Jan-2021
Potential Effect	<ul style="list-style-type: none"> • Disruption of Services impacting service delivery to citizens • Loss of Data • Staff and Citizen data loss with the potential for misuse such as identity fraud • Mis-information being delivered to the public via WDC communication channels • Potential for significant fines currently under the Data Protection Act and from May 2018 under the provisions of the General Data Protection Regulations • Reputational damage • Redirection of resources to deal with the effects of an attack and away from BAU work 	 Likelihood Impact	4	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> • Recorded attempts from external sources to breach council cyber defences • Recorded cyber related incidents in the Cyber incident log • Quantity of breaches/incidents reported to the Information Commissioners Office • Fines levied for breaches 	Latest Note	Jan 21. Threats and attacks continue regularly. Continuing to raise awareness with ICT and Council wide. Cyber audit took place in 2020 providing opportunity to continuously improve processes and documentation.	
Risk Factors	<ul style="list-style-type: none"> • Inappropriate Cyber defences at the perimeter of the council networks • Inappropriate delivery of security patches to desktop and server estates • Compliance with security standards such as PSN, PCI, Public Sector Action Plan on Cyber resilience for Scotland • Continually changing threat landscape • Maintaining relevant skill sets among staff group/cost of securing expert resources 			
Internal Controls	<ul style="list-style-type: none"> • Implementation of internal Policies on Patching and hardware/software hardening and expanded during COVID to patch thin build devices remotely. 	Managed By	James Gallacher; Patricia Kerr; Brian Miller	


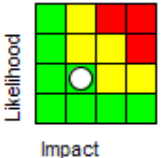
	<ul style="list-style-type: none"> Annual PSN compliance audit including a comprehensive IT Health Check Governance structure in place, ICT Steering Board consisting of senior management and relevant stakeholders meeting bi-monthly or as required in response to incidents/events Programme of Internal and External ICT audits PCI working group Information Security/Data Protection forum Multiple layers of Cyber defences; Network Segregation Rolling programme of security awareness sessions Interagency and cross Council working groups and sharing. National Digital Office / Scottish Government Public Sector Security programme and guidance 	Assigned To Iain Kerr		
Progress of Linked Actions	CS/IAAP/519 1. Underlying Technical Controls required to facilitate automatic failover to DR site still to be configured/tested		<div><div>100%</div></div>	Patricia Kerr
	CS/IAAP/520 2. DR Plans for the main telephony delivery systems have yet to be implemented/tested		<div><div>100%</div></div>	Patricia Kerr
	CS/IAAP/521 3. Systems without parallel DR arrangements are not fully tested		<div><div>100%</div></div>	Patricia Kerr
	CS/IAAP/525 7. Lack of formal DR testing schedule at primary DR site		<div><div>100%</div></div>	Patricia Kerr
	P&T/2021/ICT/01 Deliver a secure and resilient IT Infrastructure		<div><div>75%</div></div>	Patricia Kerr; Victoria Rogers
	P&T/2021/ICT/02 Technologies to Support ICT Service Delivery Improvements		<div><div>40%</div></div>	Patricia Kerr; Victoria Rogers
	P&T/2021/ICT/03 Process Changes to Support ICT Service Delivery Improvements		<div><div>60%</div></div>	Patricia Kerr; Victoria Rogers
Risk Opportunity	<ul style="list-style-type: none"> Increase Cyber resilience and awareness for staff, members and citizens Contribute to Scottish Government Public Sector Action Plan on Cyber resilience for Scotland Upskill staff to address current and emerging threats Increased staff awareness across Council 			

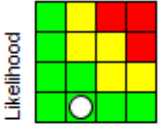




SR 009

	SR 009 Failure to deliver the Early Years Agenda	Current Risk Matrix	Current Rating	Last Review Date
Description	This risk concerns an increase in entitled hours which the Scottish Government is planning to provide for early years children, from 600 to 1140 hours by 2020. In project management terms this is a complex piece of work of products, demanding timescales and dependencies across its duration. The timescales for delivery will be revised by the Scottish Government due to the closure of ELC's and impact of COVID-19.		6	29-Jan-2021
Potential Effect	Reputational damage Failure to meet the Scottish Governments delivery plan to increase free ELC hours Children would not receive the best start in life Failure to meet our statutory duties Partner providers may be adversely affected		3	31-Mar-2022


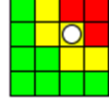
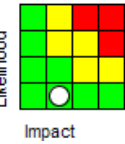
Measures of Impact	Care Inspectorate standards Key project milestones Scottish Government requirements Parental expectations Key personnel positions	Latest Note	The risk of not completing the building programme puts 1140 hours for all 3 and 4 year olds at risk, the Scottish Government has recently reinstated the entitlement of 1140 hours for all 3 and 4 yr olds which all LA's have to ensure is in place for August 2021.			
Risk Factors	Maintaining level of Scottish Government investment Availability of contractors within project timescales Recruitment of suitable staffing for centres Creation of flexible delivery model Staff engagement with the Early Years Strategy Quality of communication with parents and staff Successful transition to new delivery model Impact of closure due to COVID-19 will delay some projects Funding flexibility will delay some project until April 2021					
Internal Controls	Reports to Education Services Committee Early Learning and Childcare Strategy 2016 - 20 Care Inspectorate Children and Young Peoples Act (S) 2014 Education Governance Board Revised implementation plan for recovery Revised DLO building programme of works for outstanding projects Early Years Implementation Board Financial reports - budget monitoring and review Inter departmental working Partnership SLA's Workforce Development Change Board updates Reports to Scottish Government Improvement Service	Managed By	Laura Mason			
		Assigned To	Kathy Morrison			
Progress of Linked Actions	E/1920DP/11EYS Deliver the Early Years Strategy		<div><div>100%</div></div>	Kathy Morrison		
Risk Opportunity	Parents and children will receive a more flexible childcare service Greater opportunities to tackle the impacts of inequalities on the very young and vulnerable children Improvement in quality assessment and moderation and interactive play-based methodologies across the Early Level Accessible provision will play a vital role in reducing the poverty related attainment gap through high quality early learning and childcare Opportunities for professional learning to meet the standard required					



SR 010

	SR 010 Ensure an appropriately resourced workforce.	Current Risk Matrix	Current Rating	Last Review Date
Description	Failure to ensure that there is an appropriately resourced workforce in place to meet future organisational needs, either in effectively executing the Council's 2017-22 Workforce Plan, or in ensuring that the Plan is adapted over time if and when earlier assumed circumstances change.		4	28-Jan-2021
		Target Risk Matrix	Target Rating	Target Date


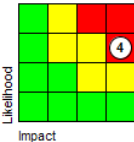
Potential Effect	<ul style="list-style-type: none"> - Low staff morale - Inability to deliver services effectively - Reduced level of service - Lack of improvement or increase in staff absences - Council underachieves as an organisation - Employee conflict 	 <p>Likelihood</p> <p>Impact</p>	2	31-Mar-2022
Measures of Impact	<ul style="list-style-type: none"> - Access to and participation of employees in learning and development activities - Absence rate and trends - Employee turnover - Grievance, discipline and other monitoring information - Employee survey results and associated actions - Reports from external scrutiny bodies and award bodies - Benchmarking with appropriate comparators 	Latest Note	<p>Workforce planning has developed well alongside service delivery planning. This has been supported by better use of data in this area to inform decision making via the use of the console and the wellbeing dashboards.</p>	
Risk Factors	<ul style="list-style-type: none"> - Lack of appropriate development / shortage of skills may pose a risk to new models of service delivery - Lack of capability to deliver - Workforce unable to adapt to change 		<p>The workforce were surveyed around home working to ensure we are supporting and ensuring the resources required are in place to support service delivery. This has ensured wellbeing resources have maintained a holistic approach in supporting the workforce.</p> <p>In addition a number of workforce planning activities around work style and isolation monitoring during Covid has allowed us to operate a volunteer supply list to priority areas requiring additional support.</p>	
Internal Controls	<ul style="list-style-type: none"> - HR processes designed to meet service delivery needs - Develop new structures to reflect strategic priorities and aligned to Future Operation Model (FOM) - Align workforce plan to the Council's strategic planning processes (i.e. have the right people available at the right time with the right skills to fulfil properly all of the Council's strategic priorities) - Periodic review of pay arrangements in accordance with EHRC guidance (currently every 3 years) - Incorporation of succession planning into workforce planning framework - Identify training programmes to reskill staff as identified by training needs analysis - Effective use of SWITCH to support alternative careers - Flexible HR policies, in particular recruitment & selection, learning & development (including elearning), continuous improvement / development flexible working, attendance management, employee wellbeing related policies - Effective use of Occupational Health Service - Robust Be the Best Conversations process - Effective leadership and management behaviours and practice 	Managed By Victoria Rogers Assigned To Alison McBride		
Progress of Linked Actions	P&T/1920/SHR/02 Review and relaunch the Council's Employee Wellbeing Strategy.			Alison McBride
	P&T/1920/SHR/04 Continue to embed the Council's Strategic Workforce Planning Framework with a particular focus on the impact of digital skills			Alison McBride
Risk Opportunity	<ul style="list-style-type: none"> - Identify previously unknown skills and talents in the workforce - Realise the potential of staff 			

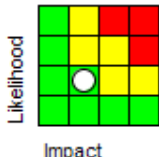

SR 011




	SR 011 EU Exit	Current Risk Matrix	Current Rating	Last Review Date
Description	<p>The Council has continued to proactively prepare for EU Exit, working alongside key partners and officers. Overtime, there may be service disruption, finance pressure, economic impacts. This has yet to be realised due to the ongoing lockdowns and restrictions presented by COVID-19. The true impact of leaving the EU will not be resultant instantly therefore a true reflection of its impact may require to be measured over an extended period of time.</p>		9	27-Jan-2021
Potential Effect	<p>There are a host of potential impacts that may be a direct result of EU Exit. UK Government put together a document outlining the Reasonable Worst-Case Scenario (RWCS). This set of planning assumptions outlined key risks taking into account the likelihood and impact. This allowed West Dunbartonshire Council to take cognisance of local risks and ensure mitigating actions were put in place to minimise any impact.</p> <p>On the back of the RWCS two EU Exit Action Plans were created. Once for Council risks and the other for risks that affect the HSCP. These action plans are live documents and regularly update and reported to the Audit Committee and Corporate Service Committee.</p> <p>For further information on the potential effect please refer to WD HSCP EU Exit Assurance Plan & WDC EU Exit Action Plan.</p>		2	31-Mar-2022
Measures of Impact	The measure of impact is detailed in both EU Exit Assurance Plans	Latest Note		
Risk Factors	Financial Workforce Goods, services & supply chains Community Regulation Insurance Education Global Pandemic			

Internal Controls	All internal controls are managed through both EU Exit Assurance Action Plans. In addition, the Council’s Resilience Groups continue to work with the Civil Contingencies Service (CCS) to act as the main driver to support and monitor the new Trade and Cooperation agreement. To compliment this, there is frequent liaison with multi-agency partners to ensure a shared understanding of risks locally, regionally and nationally. The Civil Contingencies Officer participates in regular EU Exit calls hosted by COSLA and working with other LAs to address any issues and raise concerns to Scottish Government. The Action Plans were recently crossed referenced with the updated UK Planning Assumptions of reasonable worst case scenarios and is a live document allowing officers to update their respective fields if and when required. The recent report to Leaders on the progression of EU Exit (also circulated to all Elected Members and Lay Members of the Audit Committee) which has allowed the Civil Contingencies Officer to determine how this may impact us locally.	Managed By	Victoria Rogers	
		Assigned To	Operational Resilience Group	
Progress of Linked Actions	SR011-1 Finance		<div><div>100%</div></div>	
	SR011-2 Regeneration		<div><div>100%</div></div>	
	SR011-3 Procurement		<div><div>100%</div></div>	
	SR011-4 Legal & Environmental Health		<div><div>100%</div></div>	
	SR011-5 P&T impact of EU nationals employed by WDC		<div><div>100%</div></div>	
	SR011-6 Insurance		<div><div>100%</div></div>	
	SR011-7 Communications		<div><div>100%</div></div>	
	SR011-8 Resilience		<div><div>100%</div></div>	
	SR011-9 Education		<div><div>100%</div></div>	
	SR011-10 Workforce Planning		<div><div>100%</div></div>	
	SR011 – 11 Citizens/Communities		<div><div>100%</div></div>	
Risk Opportunity	SR012 PANDEMIC (COVID)”			






SR 012

	SR 012 Pandemic (COVID-19)	Current Risk Matrix	Current Rating	Last Review Date
Description	<p>The Council is faced with significant ongoing demands with disruption to service delivery, increasing PPE and workforce pressures as a result of Covid 19 and subsequent local and national outbreaks.</p> <p>This involves both responding to the crisis and from services returning to a new normality based on Response, Recovery and Renew guidance produced by Scottish and National Government.</p> <p>NB. Financial risk is also reflected in SR001</p>		12	27-Jan-2021
		Target Risk Matrix	Target Rating	Target Date

Potential Effect	Reduced service delivery, disruption to service provision, demand for increased workforce in many areas, increased financial pressures and difficulty in responding effectively to demands from employees, Trade Unions and the wider public.		4	31-Mar-2022
Measures of Impact	Reduction in government funding Reduction in revenue and income Service reductions or closures/reducing quality/limiting quantity Reduction in WDC/WDLT workforce Increased debt owed to the Council Reputational damage to WDLT and Council due to reduced delivery/quality of services	Latest Note	Scoring of SR012 Covid 19 is still marked at 12. While the likelihood has reduced given that the mass vaccination programme is now being rolled out, the impact is still high due to the new strain of the virus, increased numbers following festive period, impact on health services and resourcing vaccination centres.	
Risk Factors	Level of government funding for COVID 19 Second wave of COVID-19 Local outbreaks, non compliance resulting in further restrictions or local lockdown Workforce reduction/absence/recruitment difficulties/wellbeing impacted/additional PPE requirements/difficulty with supply chain/increased costs Concerns from Elected Members/employees/Trade Unions about provision/ safety of service/facilities Additional hardware/software to cope with prolonged remote working Significant additional burden in Capital receipts			
Internal Controls	10 year Financial Strategy as referred within SR001 Powers delegated to council officers to speed up critical decision making during pandemic Business continuity plans – organisational and service specific SRG/SRRG established as a key decision making body guided by strategic council aims. Decisions noted and reported periodically to full Council. Regular sharing of information and guidance to officers and managers in relation to COVID-19 via exception reporting and situation (SITREP) reporting to ORG/SRG ORG established as an operational delivery body to ensure consistent messages and SRG decisions implemented, governance and compliance managed via SRRG. Dedicated Intranet page established; acting as a vehicle for sharing current information and best practice. WDC officers/councillors are actively participating in national forums to update SG as to WDC's position and stay updated on national advice Regular Workforce updates issued to ensure clarity of message and provide clear advice WDC/WDLT management to undertake reviews to find efficiencies to reduce costs and improve sustainability opportunities for savings and greater sustainability. Additional forums for collective consultation and information sharing established with trade unions.	Managed By	Victoria Rogers	
		Assigned To	John Duffy; Alison McBride	
Sub-Risks Description	Sub-Risks Measures of Impact/Internal Controls	Sub-Risks Traffic Light Icon		Sub-Risks Managed By
Workforce	The Council is faced with significant workforce demands in relation to absence, reduction, recruitment and wellbeing. Employees absence as a result of self-isolation, infection or caring requirements. Workforce reductions - due to insufficient funding, employees leaving due to caring requirements and anxiety. Recruitment issues caused by insufficient funding, demand in certain areas and skills. Wellbeing with employees working for an extended period at home, mental health, DSE and ongoing supports. Business Continuity Plans reflect employees absences of up to 30% in determining how critical services will be delivered such diverting non			All relevant managers/O RG members

	<p>critical roles to support key roles. Volunteer process in place to allow managers to apply for support and have volunteers identified and matched. To reduce the loss of key worker the council have promoted flexible working arrangements, providing childcare facilities and access to health supports.</p> <p>National and Government schemes being accessed such as DWP Kickstart to supplement the local vaccination centres.</p> <p>WDC are working with NHS Greater Glasgow and Clyde in the roll out of mass vaccination for COVID-19.</p> <p>A multi-disciplinary oversight group has been set up to provide leadership to develop and monitor the delivery of West Dunbartonshire's Mass Vaccination Plan. This is being supported by a delivery group which will deliver operational and logistical implementation aspects of the plan. National schemes being accessed such as DWP Kickstart to supplement the local vaccination centres.</p> <p>A cross-team approach has been agreed to supporting the operation of 3 mass vaccination centres (Alexandria Community Centre, The Hub Clydebank and The Concorde, Dumbarton) within West Dunbartonshire. WDC are also exploring options with voluntary organisations to complement the SRworkforce to embed in medium to longer term resilience.</p> <p>Recruitment processes reviewed with online process developed with Disclosure Scotland and SSSC.</p> <p>Wellbeing strategy in place with a focus on Mental Health supports, OH provider has delivered bespoke supports and i-learn has been expanded to support additional needs of the workforce. Significant internal demand on OH supports increasing costs substantially – little evidence of use of national supports for social care workers.</p>			
Service Delivery	<p>The Council is faced with significant delivery demands in relation to moving services online, disruption, reduction and quality.</p> <p>Services are disrupted as a result of employees absence, increased demand or lack of equipment/supplies. Reduction & quality are impacted due to insufficient funding leading to reduced numbers of employees and impacting on quality of service delivery.</p> <p>The Council have moved where possible to meet the needs of citizens via a more digital delivery method. Transformation projects will be reviewed in light of the developments made in this area.</p> <p>Business Continuity Plans identify critical activities and the minimum resources required to deliver critical activities – these were updated within the last 12 months.</p>			All relevant managers/O RG members
Protection	<p>The Council is faced with significant demands for protection in relation to additional and constant changing legislation and guidelines, PPE requirements, supply chain, cost of PPE and ensuring workforce safety.</p> <p>WDC officers are actively participating in national forums to stay updated on national advice and ensure this is cascaded council wide. Officers from across the organisation review the SG COVID website daily to capture any changes.</p> <p>PPE demands continue and supply chain issues could impact upon our ability to purchase key equipment or resources, or affect any areas where we are reliant on a contractor. Business Continuity Plans consider supplier dependencies, including potential alternative suppliers.</p> <p>WDC have an established Risk assessment process to ensure safe practices for work.</p>			All relevant managers/O RG members
Public uncertainty	<p>The Council is faced with significant demands around public uncertainty and leads to additional burdens upon services, seeking information, advice and support.</p> <p>Council continue to work with key stakeholders and citizens to ensure clarity of information as services recommence, ensuring this is shared with members of the public via social media/Council website, alongside FAQs being made available where necessary.</p> <p>Information on updated Government advice is distributed through these channels regularly, and as soon as possible after Govt announcements, Requests made via the contact centre to reduce burden on services.</p>			All relevant managers/O RG members
Risk Opportunity	<p>Enhance reputation of Council by being able to provide confidence clear guidance and supports</p> <p>Continue to build on digital service delivery via Digital Board plans.</p> <p>Continue with estate, assets and service delivery</p> <p>Enhance employees "feeling valued" by providing good conditions, wellbeing opportunities and supports</p>			

	Secure external funding for assisting in the delivery of council aims
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Risk Status	
	Alert
	High Risk
	Warning
	OK
	Unknown

Background: The themes of Issues/Risks identified below are based on the updated UK and Scottish Planning assumptions (September 2020). On the 31st December, the Transition Period concluding EU Law jurisdiction in the UK and access to the EU Single Market ended. The new relationship is now will be defined by the EU-UK Trade and Cooperation Agreement (TCA).

The undernoted risks were identified and mitigating action was put in place to minimise any disruption. The Civil Contingencies Officer reached out to the contributing officers at the beginning of January (2021) to determine if there were any initial or future concerns as a result of the UKs departure from the EU. At this time, the risks and mitigating actions remain unchanged. The document will remain live and will be regularly reviewed and updated, if required.

Contributing Officers – Jen Watt, Civil Contingencies Officer (CCS); Lynda Dinnie, Facilities Manager; Audrey Slater, Head of People and Change; Julie Slavin, Chief Financial Officer (HSCP); Sylvia Chatfield, Head of Mental Health, Learning Disability and Addictions, Jo Gibson, Head of Community Health and Care Services and Jonathan Hinds, Head of Children’s Health, Care & Criminal Justice.

Travel, Freight & Borders – Jen Watt – January 2021			
Broad Risk	WD HSCP Impact	Action/Mitigation	Comments Updated – Jen Watt Jan 2021
Transport	<ul style="list-style-type: none"> - Key medicines/equipment and PPE may be delayed. 	<p>Continue the positive dialogue with GPs and Pharmaceutical colleagues that have been in place.</p> <p>Ongoing talks to Government and NHS about how EU Exit might affect medicine supplies, equipment and PPE in the short medium and long term.</p> <p>A Serious Short Protocol would be introduced in the case of a serious shortage and is only one tool that can be used to manage shortages. The Govt has well established processes for managing shortages in collaboration with manufacturers and suppliers, clinicians, NHS and</p>	<p>We will continue to liaise with NHS colleagues to obtain early notification of issues nationally and monitor.</p> <p>The formation of a senior Pharmacy Incident Response Team has been identified to address urgent and emerging issues with medicines supply.</p>

		the Medicines and Healthcare Products Regulatory Agency,	
Disruption to Service – Jen Watt, Lynda Dinnie, Julie Slavin - January 2021			
Broad Risk	WD HSCP Impact	Action/Mitigation	Comments Update - Jen Watt/ Lynda Dinnie October 2019 Julie Slavin January 2021
Reduction, delay or stoppage in supply of medicines and medical supplies specially, radiopharmaceuticals, blood products, medical devices and clinical consumables. It is anticipated that any disruption will occur during the first three months after the end of the transition period.	<ul style="list-style-type: none"> - While this issue is being coordinated nationally by the NHS, there is potential impact on Care Homes, Care at Home and Healthcare - A shortage of some medicines were been reported but not necessarily attributable to EU-Exit. 	<p>Continue the positive dialogue with GPs and Pharmaceutical colleagues that have been in place.</p> <p>Pharmacy teams are constantly reviewing and updating local processes for managing medicine shortages.</p> <p>Incontinence Care products are hosted across Glasgow Greater and Clyde (GGC) so any additional cost would be picked up by the host.</p> <p>Hand Hygiene Products – Care Homes and Home Care Teams estimate that 6K per month is spent on aprons, bibs and gloves, pressure care products and protective clothing. PPE should be procured through BAU routes however, NSS Hub arrangements will remain in place until March 2021 However, and this is only for HSCP internal services. Current costs have inflated due to COVID-19 and the need for additional PPE.</p>	<p>NHS have nationally provided updates as follows: Pharmacy team have reviewed & updated local processes for managing medicines shortages including assessing whether additional people resource is required.</p> <p>There were a number of drugs in short supply – including anti-depressants which led to significant increases in price/item. Over the last few months, supply has improved and the price has began to reduce, however it is still above the budgeted price.</p> <p>SG has established a Scottish Medicine Shortage Response Group which will review evidence and intelligence, recommend action, and instigate escalation to the UK Medicines Shortage Group, of which SG is a member.</p> <p>The supply of PPE is stable and stock regularly replenished through supplies from NSS to local hubs. This arrangement is in place until the end of March 2021.</p>

Reduction of Clinical Consumables	<ul style="list-style-type: none"> - Insufficient Incontinence Care Products, Hand Hygiene Products, Aprons, Bibs gloves, moving handling products etc 	Moving and Handling products – this type of equipment is purchased through Equipu contracts – Glasgow are the lead host authority therefore would be responsible for any additional costs. Reduction in activity due to COVID-19 restrictions and backlog in assessments.	
Certain types of fresh food supply may decrease / prices of certain foods may increase	<ul style="list-style-type: none"> - Potential additional costs for services that purchase / supply food - Impacts on food provision at care homes and children homes. Possible food increase of 15% to 20% due to tariff changes, sterling depreciation and boarder disruption. 		<p>Facilities Services maintain a very limited stock of tinned and dried food that is maintained year round, in case of single premise emergencies – while this is not EU Exit specific, it could be utilised in the event of a localised issue being experienced. It has recently been suggested that Care Homes and children's houses should hold their own emergency stock items. School Food Legislation is very strict and the types of products which Facilities Services hold are unlikely to benefit in the HSCP setting.</p> <p>WDC has continued to monitor this and in line with Govt and CoSLA recommendations, there is no intention to stockpile beyond this contingency as storage capacity and freezer space prohibits this.</p> <p>In addition, if we started to see local shortages catering managers and cooks have their own procurement cards,</p>

			which they presently use to purchase provisions via Scot Exel Suppliers however, the cards can also be used elsewhere if necessary.
Care Home Closures	<ul style="list-style-type: none"> - Commissioned care being handed back to HSCPs 	<p>Central Procurement contacted all external providers of care services – Care homes, Home Care and Supporting Living to complete a template, which covered workforce and supply chain.</p> <p>Surveys were also sent to Care homes to review their EU-Exit preparedness.</p>	<p>The response was only around 20%. However, those who did reply did not highlight any immediate risks to workforce, as those employed are mainly British Nationals. Although, concern about the availability of fresh food and medicines was highlighted.</p> <p>The most immediate risk to external care home providers is related to the impacts of Covid-19 on reduced occupancy levels and staff absence. This is monitored on a daily basis and HSCP support provided where appropriate and regular sustainability payments have been made (in line with CoSLA guidance) since October 2020.</p>
Workforce – Audrey Slater HR Lead HSCP – January 2021			
Broad Risk	WDC HSCP Impact	Action/Mitigation	Comments
Loss of employees – both highly skilled and lower skilled / entry level	<ul style="list-style-type: none"> - Impact on Care for People. Agency Employees - Potential risk if contracts are subcontracted companies employing EU nations - Increased pressure on unpaid carers - Potential Failures of external 	<p>Signposting of key information / support in relation to EU Workers within the Council</p> <p>https://www.gov.scot/brexit/</p>	<p>90% of Care at Home is delivered by Council Workforce with no immediate concerns around EU Nationals as this is predominately comprised of local residents who are UK citizen. In addition, WDC does not have reliable figures for the numbers of EU nationals living and working in West Dunbartonshire. WD HSCP has deemed this risk as LOW.</p> <p>The Council itself invests in apprenticeships training and</p>

	<p>providers delivering Care at Home due to employees shortages</p> <ul style="list-style-type: none"> - The impact of EU withdrawal may result in a loss of skilled labour in key sectors. Whilst construction is one obvious area of risk where skilled labour is already tight, West Dunbartonshire also has a significant Healthcare workforce in the Golden Jubilee Hospital which is due to expand as an NHS centre of excellence. 		<p>works closely with local colleges to increase the number of apprenticeships in specific areas of predicted demand. However, these actions will not be of sufficient scale and will not address short term shocks to labour supply. Shocks can also be expected in Health and Social Care and Hospitality.</p> <p>The loss of EU workers will inevitably drive up demand for labour, and the current labour pool in the City Region cannot easily and quickly replace these people. As a consequence one can anticipate pressures on the supply and costs of skilled and indeed unskilled labour. This may be low currently but could rise in years to come</p> <p>Based on extrapolation from the work of the Fraser of Allander there could be between 2000 to 4000 EU nationals living in West Dunbartonshire, However, it is considered that this figure is unlikely to be representative of WD area. It is more likely that the majority of them are employed/reside elsewhere in the City Region.</p>
Concurrent Risks – Julie Slavin and Jen Watt – January 2021			
Broad Risk	WD HSCP Impact	Action/Mitigation	Comments
Seasonal Flu	<ul style="list-style-type: none"> - If there is an impact on the procurement to the flu vaccination this could have impact on the well-being of our most vulnerable in society 	Continued engagement with Scottish Government Health Resilience Unit, NHS Boards and Health and Social Care Partnerships.	<p><u>Seasonal Vaccination Programme</u></p> <p>Vaccines for the Seasonal Programme as procured by NHS Scotland National Procurement. Flu immunisation programme complete with WDHSCP having the highest uptake of the vaccine across NHSGGC for staff and approx. 70% of over 65s.</p> <p><u>Childhood Vaccination Programme</u></p> <p>Vaccines for the Childhood Programme are procured by Public Health England (PHE) on behalf of the UK countries.</p>

Disruptive Weather	<ul style="list-style-type: none"> - Potential for unprecedented weather conditions which leads to reduction of employees, putting pressures on services to deliver 	Business Continuity Plans in place. Resilience Structures currently in place for COVID-19 and can flex accordingly.	<p>PHE have confirmed they do not anticipate any delays to the vaccine for the children's flu programme as a result of EU Exit.</p> <p>Deliveries will be routed direct to the UK from the US.</p> <p>Mass Vaccination Plan in place for the delivery of vaccines within WDC.</p> <p>Regular weather monitoring in place by CCS and Roads Service.</p>
Global Pandemic (COVID 19)	<ul style="list-style-type: none"> - The ability to respond to two concurrent issues ensuring our workforce remain safe and well. - The residents of WDC becoming unwell putting additional pressure on NHS GGC and local care at home teams. 	Business Continuity Plans in place. Resilience Structures currently in place for COVID-19 and can flex accordingly.	
Other Impacts – Julie Slavin Finance Lead HSCP –January 2021			
Broad Risk	WD HSCP Impact	Action/Mitigation	Comments
Significant impact on support for older/disabled people/those with mental health issues	<ul style="list-style-type: none"> - At present there may be many older people that do not require any services from the HSCP – however if there are medicine or food shortages this may impact their wellbeing and subsequently 	Continue to monitor	<p>The short supply of certain anti-depressants has stabilised, although the price remains above previous year's rates.</p> <p>To respond to the Covid-19 pandemic the HSCP quickly mobilised services to provide support remotely or face to</p>

<p>Increase in unscheduled care and delayed discharge</p> <p>Social care providers willing but unable to meet requirements</p> <p>Children and families Social Work Section 12 payment</p>	<p>require support from HSCP. The same could also be said from those with addictions and mental health issues. – Supplies have stabilised.</p> <p>- Overtime we may see an increase due to increase food costs and inflation putting pressure on HSCP to fund those falling below the breadline.</p> <p>.</p>	<p>Continue to monitor</p> <p>Continue to monitor</p> <p>Continue to monitor</p>	<p>face after appropriate risk assessment. Also new pathways into mental health and addiction services funded by the Scottish Government through Local Mobilisation Plans.</p> <p>For those who are not known/open to services at this stage; referrals through the “Duty Team” allow access to HSCP services/support. This promotes the positive dialogue with GPs and Pharmaceutical colleagues.</p> <p>There was some concern that externally commissioned services of older people’s residential and nursing care and other social support could be impacted if EU nationals returned home. Local external providers did not highlight this as a risk and this is still the case. The impact of Covid-19 restrictions re community based services and respite, coupled with disruption when both service users and support workers requiring to isolate either through actual positive result and being identified as a close contact.</p> <p>PPE requirements are met through regular deliveries by NSS to local HSCP hubs. Section 12 payments continue to be used to support families in distress and this includes support for food costs and other essentials. No notable variation in need or demand to date and this continues to be monitored by finance and social work managers.</p>
<p>Adult Social Care - consider loss or shortage of workers who provide routine services</p>	<p>The impact on the adult social care workforce is expected to be minimal in West Dunbartonshire, as this workforce is predominantly comprised of local residents who are UK citizens. No impact at this time.</p>	<p>Continue to monitor. Transferring employees within the HSCP who have received appropriate training to pressure points. This is not as a result of EU Exit.</p>	<p>Risk low</p>

Business Continuity – Jen Watt – January 2021

Broad risk	WD Impact(s)	Action	Comments
Assess impact of EU-Exit on Business Continuity Plans	<p>Potential disruption to services</p> <ul style="list-style-type: none"> - Food - Medicines - Employees 	<p>WDC have undertaken a full review of all Business Continuity Arrangements</p> <p>National Coordination Centre Stood up. The NCC structure is based on an all risk-approach. Daily reports are produced to give an oversight of the most pertinent risks facing Scotland. E.g. Weather, Health Board Capacity, EU Exit, COVID-19.</p> <p>Continued engagement with CoSLA and Scottish Government</p> <p>Dialling into COSLA teleconferences</p> <p>Concurrent Risk Workshop for key officers was held on the 17th November via MS Teams</p> <p>Resilience Structures in place: Local Response Management Team (LRMT), Strategic</p>	<p>Business Continuity planning remains an operational focus. Any changes will be reflected into the respective Business Continuity Plans.</p> <p>CoSLA requested LAs to complete a questionnaire to provide information relating to resilience structures, additional structures and areas of risk. This was complete and returned to CoSLA.</p> <p>CoSLA reinstated EU Exit calls; the Civil Contingencies Officer regularly dials into these meetings, to discuss any arising issues and requests from Scottish Government and CoSLA. A brief synopsis of the call is circulated to the contributing officers for information and consideration.</p>

Business Continuity – Jen Watt – January 2021			
Broad risk	WD Impact(s)	Action	Comments
		Resilience Group (SRG), Operational Resilience Group (ORG) and Resilience Group (RG)	

Background: The themes of Issues/Risks identified below are based on the updated UK and Scottish Planning assumptions (September 2020). On the 31st December, the Transition Period concluding EU Law jurisdiction in the UK and access to the EU Single Market ended. The new relationship is now will be defined by the EU-UK Trade and Cooperation Agreement (TCA).

The undernoted risks were identified and mitigating action was put in place to minimise any disruption. The Civil Contingencies Officer reached out to the contributing officers at the beginning of January (2021) to determine if there were any initial or future concerns as a result of the UKs departure from the EU. At this time, the risks and mitigating actions remain unchanged. The document will remain live and will be regularly reviewed and updated, if required.

Contributing Officers – Jen Watt, Civil Contingencies Officer; Martin Keeley, Environmental Health Manager; Stella Kinloch, Section Head Transactional Services; Derek McLean, Procurement Business Partner; Cameron Taylor, WDLT Health and Safety Co-ordinator; Stephen Brooks, Working4U Manager; Kenny Lang, Joint Services Fleet and Waste Manager; Lynda Dinnie, Facilities Manager; Alison McBride, Strategic People and Change Manager, Patricia Kerr ICT Manager and Michael McGuinness, Economic Development Manager.

Border Disruption – Martin Keeley and Stella Kinloch – January 2021

Broad Risk	Action	Comments
Congestion at sea ports & airports through delayed processes with potential impacts to: <ul style="list-style-type: none"> - Ports / Airports - Warehouse distribution centres - Motorway / Trunk Road network - Rail Network 	<ul style="list-style-type: none"> - Funding case to Scottish Government has been submitted through COSLA for LA Environmental Health resources nationally to support the delivery of services related to hub export sites and imports through Border Control Posts and in-land check points. Resource allocation will depend on the need to engage 	<p>WDC EH Manager is linked in through the Scottish Food Enforcement Liaison Committee to work with groups looking at EU Exit implications. While the position is being led nationally, by DEFRA. The risk-based system developed by the Scottish Food Enforcement Liaison Committee has been accepted for use on a UK basis. WDC EH Manager is linked to the various groups involved (including APHA, Scottish Government, Food Standards Scotland and Food Authorities (Local Authorities) and Port Health Working Groups (Imports and Exports).</p> <p>Scottish Government is aware of potential bottlenecks in the delivery of the system, with Local Authorities potentially having to resource hubs for delivery of the system. Food Standards Scotland has recruited temporary staff to assist with delivery at hubs. This is being monitored.</p> <p>Through a change in the EH undergraduate education system, funded training (placement) for trainee Environmental Health Officers is now available to LAs.</p>

Border Disruption – Martin Keeley and Stella Kinloch – January 2021

Broad Risk	Action	Comments
	<p>in food import controls and / or enhanced export certification work to support the Scottish food sector. Food Standards Scotland are assisting with resource for export hub delivery and LA mutual aid provision is a consideration</p> <ul style="list-style-type: none"> - Requirement to directly deliver controls or the requirement to assist other food authorities in these matters (Regional / National Hubs for food export certification or port health controls for food import) - Signposting of Scottish Government EU Exit website providing information on passports / personal travel https://www.gov.scot/br 	<p>The likelihood of WDC becoming a port authority for food is unknown. The demand for an establishment of an export hub(s) in WDC also unknown. This is still the case.</p> <p>Information on DPEs and BIPs related to the EU are given here along with a Brexit reference. https://ec.europa.eu/food/safety/official_controls/legislation/imports/animal_en https://ec.europa.eu/food/safety/official_controls/legislation/imports/non-animal_en https://ec.europa.eu/food/animals/vet-border-control/bip_en</p> <p>Network Rail have produced a Risk Management Document, saved along with other EU Exit materials; providing reassurance that measures will be taken to ensure network operation.</p>

Border Disruption – Martin Keeley and Stella Kinloch – January 2021

Broad Risk	Action	Comments
	<u>exit/</u>	
Return of UK Nationals, currently in residence within other EU countries.	<ul style="list-style-type: none"> - Consider remit and membership of previous multi-disciplinary Syrian Refugee working group – as risks are similar. 	<p>Existing arrangements for the impact areas are in place and could cope with the numbers returning to local area.</p> <p>At this time, there is no indication that this poses a risk to WDC.</p>

Disruption to Service – Martin Keeley, Derek McLean, Cameron Taylor, Stephen Brooks, Kenny Lang and Lynda Dinnie – January 2021

Broad Risk	WD Impact	Action	Comments
Reduction, delay or stoppage in supply of medicines and medical supplies.			Please see bespoke HSCP Action Plan.
Reduction, delay or stoppage in movement, holding of animals and supply of veterinary medicines / supplies	-Concerns with regards to livestock welfare and disposal	Continued engagement with APHA and DEFRA	APHA and DEFRA look after the animal movements and it is under vet control for medicines etc. for farm animals. This continues to be monitored.
Reduction, delay or stoppage in supplies of other consumables	<ul style="list-style-type: none"> - Impacts on capital or infrastructure projects, e.g. new school at Renton - Impacts on other services provided through other 	<p>Services to consider supply and projects in line with significant assurance work carried out by Procurement. Supply, etc, which is continually monitored.</p> <p>Continued engagement with</p>	<p>Considerable work carried out by Scotland Excel to provide assurances. The Corporate Procurement Unit (CPU) sent out a supplier / provider questionnaire however, of the suppliers / providers that did respond, those responses were generic. The CPU also sent out questionnaires to the Council's service areas to ascertain contingency plans should a supplier / provider not meet the specification / delivery due to Brexit.</p> <p>REG and Legal to check on existing and future contracts in terms of where</p>

Disruption to Service – Martin Keeley, Derek McLean, Cameron Taylor, Stephen Brooks, Kenny Lang and Lynda Dinnie – January 2021

Broad Risk	WD Impact	Action	Comments
	<p>nations, e.g. software</p> <ul style="list-style-type: none"> - Impact to Chemicals (Leisure Trust) - Impact to construction industry due to import of raw material and construction products - Polyaluminium Chloride (PAC) – supplier: Brenntag UK -Calcium Hypochlorite (HTH) – supplier: Brenntag UK -Carbon Dioxide – supplier: Air Products UK 	<p>Facilities Manager re school and care home provisions. Refer to Broad Risk: <i>Certain types of fresh food may decrease /prices of certain foods many increase</i></p> <p>Check on existing and future contracts in terms of where the risk lies. (service led)</p> <p>Continued engagement with supply chain for critical contracts to ensure early visibility of import issues</p> <p>WD Leisure continuing to monitor</p> <p>WD Leisure continuing to monitor</p> <p>WD Leisure continuing to monitor</p>	<p>the risk lies.</p> <p>THE CPU will continue to monitor the supply chain and liaise with suppliers to ensure minimal disruption.</p> <p>Scottish Water / UK Water Suppliers have provided written assurance that their supply will be maintained.</p> <p>Hydrochloric acid is one of the main components of PAC. It has been advised that Scottish Water will be prioritised if shortages become critical.</p> <p>WD Leisure has now discontinued its CO2 contract and solely uses sodium bisulphate for pH control. No disruption to supply is anticipated.</p>
Impact upon low income groups as a	<ul style="list-style-type: none"> - Potential welfare requirements 	Engagement with Working 4U/Communities Teams to	Risk of additional costs due to welfare needs of the public. This continues to be a risk. Due to the current restrictions and lockdowns, we have not yet seen

Disruption to Service – Martin Keeley, Derek McLean, Cameron Taylor, Stephen Brooks, Kenny Lang and Lynda Dinnie – January 2021

Broad Risk	WD Impact	Action	Comments
<p>result of lack of supply of foods or price increase of fuel, food, etc</p>	<p>(including Welfare Fund) enhanced</p> <ul style="list-style-type: none"> - Potential impacts upon foodbank/food provision capacity 	<p>gauge how foodbanks may be affected / can be linked in with</p> <p>Consideration on messaging with regards to the type of supplies foodbanks need</p> <p>Consider the level of social welfare funding available against potential need (W4U - include consideration of fuel poverty)</p> <p>Continued engagement with local food banks</p>	<p>the true impact of EU Exit. Once businesses reopen then we will begin to see what sectors have been adversely affected. This may result in business closing down, resulting in job losses which in turn puts pressure on WDC to respond and provide welfare.</p> <p>WDC has continued provide funding to support two local foodbank charities. The food banks have built strong a relationship with the Council. As such, this will enable regular monitoring of potential impacts or shortages and allow concerns to be raised using appropriate and recognised channels.</p> <p>Regular campaigns to encourage donations to West Dunbartonshire Community Foodbanks is ongoing. Activity on the Intranet to encourage officers to donate and highlighting thanks for those who have donated to keep the project relevant.</p> <p>Foodbanks continue to have sufficient stock supplies and money to purchase stock if it was to run low. They have highlighted that their social media campaigns have typically led to upsurge in donations, which continues to be the case. The group has contact with the Communities Team with regards community budgeting grants.</p> <p>Working 4U liaise with local organisations (foodbanks and third sector organisations) providing access to low cost cafes and support for 'food on a budget' for people with limited resources. However, restrictions introduced as a result of Covid-19 has reduced the number of community-based cafes and lunch clubs.</p> <p>The aim is to work with key organisations to develop an action plan that will include action to:</p> <ul style="list-style-type: none"> • Raise awareness of the need for services; • promote availability of food and services;

Disruption to Service – Martin Keeley, Derek McLean, Cameron Taylor, Stephen Brooks, Kenny Lang and Lynda Dinnie – January 2021			
Broad Risk	WD Impact	Action	Comments
			<ul style="list-style-type: none"> maintain/increase supplies of food and donations to the organisations (from individuals, local business, public and third sector organisations; Support access to additional funds for the provision of food. <p>Covid-19 Food insecurity Group was established to address emergency food demands. This infrastructure will remain intact for the near future and will be used to extend support to those affected by the impact of EU Exit/Covid 19.</p>
Fuel Supply Disruption	<ul style="list-style-type: none"> Potential requests for Council Resources Potential impact on Council reserves 	Roads / Transportation to consider ensuring Council reserves are at optimal levels and processes in the event of requests from partner agencies	<p>As part of planning for a no deal, the UK and Scottish Government assumptions suggested there would not be an impact on fuel levels, etc.</p> <p>A Trade and Cooperation Deal has been agreed therefore, there are no immediate concerns. However, we will continue to monitor.</p>
Increased unemployment as a result of economic disruption	<ul style="list-style-type: none"> Greater number of people in receipt of benefits with additional knock-on demand for support services. Including welfare/debt advice, employability support and discretionary welfare payments 	<p>Working 4U will work with strategic partners to ensure information about access to services is widely available</p> <p>Continued review of services to ensure increasing areas of demand are addressed</p>	<p>Working 4U will coordinate efforts of service providers through joint working with strategic partners in:</p> <ul style="list-style-type: none"> The West Dunbartonshire Information and Advice Partnership The local strategic employability group
Certain types of fresh food may decrease /prices of certain foods may increase	<ul style="list-style-type: none"> Potential additional costs for services/that purchase/supply foods to increase by up to 20% due to 	<p>Short term: Consider earmarking additional resource, or consider use of prudential reserve if required</p> <p>Long term: Consider building</p>	<p>WDC 20-21 budget for supply of food to Education and HSCP is set. Risk of additional costs.</p> <p>The risk of cost increases arising from EU-Exit has been advised to Council in the budget preparation reports since October 2018. The budget report advises that any price variations will be reported and that it is expected that</p>

Disruption to Service – Martin Keeley, Derek McLean, Cameron Taylor, Stephen Brooks, Kenny Lang and Lynda Dinnie – January 2021			
Broad Risk	WD Impact	Action	Comments
	<p>tariff changes, sterling depreciation and boarder disruption</p> <ul style="list-style-type: none"> - Impacts on food provision at schools, care homes, etc 	in additional costs into the long term finance strategy based on evidence post- EU Exit	<p>the Council would manage such price variations should they arise through ongoing budgetary control and, if necessary, use of free reserves. This will continue to be monitored. We have not yet seen any arising costs.</p> <p>Facilities Management maintain a very limited stock of tinned and dried food that is maintained year round, in case of single premise emergencies – while this is not EU Exit specific, it could be utilised in the event of a localised issue being experienced.</p> <p>In line with Scottish Government and CoSLA advice, there is no intention to stock pile beyond this contingency as storage capacity as freezer space prohibits this. In addition, nursery and school meals are produced in line with national legislation which details nutrient requirements. Most meals are therefore produced using fresh fruit, vegetables and other produce which has an extremely limited shelf-life and is not suitable for stock-piling.</p> <p>In addition, considerable work has been undertaken by Scotland Excel to engage with suppliers in an effort to ensure a robust supply chain where at all possible.</p> <p>If we started to see local shortages catering managers and cooks have their own procurement cards, which they presently use to purchase provisions via Scot Exel Suppliers however, the cards can also be used elsewhere if necessary.</p>

Information & Data Sharing – Stella Kinloch January 2021			
Broad Risk	WDC Impact(s)	Action	Comments
Disrupt in flow of	- Delay in PVGs,	Seek information / assurance /	Scottish Government Update in relation to PVGs is as follows:

Information & Data Sharing – Stella Kinloch January 2021			
Broad Risk	WDC Impact(s)	Action	Comments
personal data due to legal requirements affecting law enforcement / intelligence sharing between UK & EU	significant impact on teaching & care staff - SSSC registration requirements	guidance from Scottish Government	<p>“Disclosure Scotland currently uses arrangements under the Directive and Council Decision to request information from 12 Member States for nationals of those Member States to work in childcare positions in Scotland. If the UK should leave, the EU without a deal then the arrangements will end.</p> <p>In the short-term, recruiting organisations will have to make use of certificates of good conduct provided by the individual. Disclosure Scotland is not involved in that process. PVG disclosure requests will rely on information held in UK records only, and will be handled in line with the 14-day service level target”.</p>

Demonstrations & Disorder – Local Police Division – January 2021			
Broad Risk	WDC Impact(s)	Action	Comments
Increase in protests in relation to: EU Exit - Irish / Northern Irish tension - Economic Instability	- Increased license requests - Lack of Police / Partner resourcing to events	Ensure awareness with relevant Leads / Officers for this.	<p>Police Scotland were planning for the potential increase for demand for public order policing for demonstrations and protests in relation to EU Exit – nothing transpired.</p> <p>Continued local engagement through West Dunbartonshire & Argyll and Bute Local Resilience Partnership.</p>

Workforce – Stella Kinloch/Jen Watt – January 2021

Broad Risk	WDC Impact(s)	Action	Comments
<p>Loss of staff – both highly skilled and lower skilled / entry level</p>	<p>- Impact on Care for People, Agency workers</p> <p>- Significant concern in Education regarding supply teachers, learning assistants, probationer allocations and officers with language skills</p> <p>-Potential risk if contracts are subcontracted companies employing EU-nationals</p>	<p>Signposting of key information / support in relation to EU Workers within the Council https://www.gov.scot/brexit/</p> <p>Education is revising processes with regards recruitment to reflect guidance and in relation to engagement with universities on earlier allocation of probationers</p>	<p>EU Nationals have already been identified within the organisation, letters have been issued. Managers have access to a Right to Work report within HR21. A key element will be to offer continued engagement with all affected parties.</p> <p>Noting right to work at point of engagement is the evidence requirement. There is no requirement to insist on Settled Status for any EU employees – identifying those of EU origin maybe seen, as discriminatory therefore no further action is required by WDC. WMS records providing country of origin remain up to date. HR Assistance remains available to all employees who may require assistance with the application process.</p> <p>REG to consult with existing contractors to seek assurance of continued project plans or the contingencies they have in place.</p> <p>WDC HR has identified 31 employees with contractual obligation whose origin is EU or EEA.</p> <p>A full review of all employee roles and impact on each service area has been undertaken and there is a low risk to service delivery, as there are no unique or difficult to fill positions identified, nor one single service impacted significantly should EU nationals return to country of origin.</p> <p>HR Connect Section Head continues to monitor for any change notifications.</p> <p>Low numbers of employees were identified as EU nationals – support to apply for EUSS made available via HR Connect for advice and guidance.</p> <p>Discretionary funds etc are in place however, the citizen or employee will need to make a claim for EUSS as these are safety nets until the person meets the requirements. COSLA has raised concerns regarding the impact of COVID-19 restrictions on people's ability to access support with their EUSS applications this is particularly relevant for vulnerable groups. COSLA has</p>

Workforce – Stella Kinloch/Jen Watt – January 2021			
Broad Risk	WDC Impact(s)	Action	Comments
Access to benefits Consider impact of loss of benefits arising from circumstances where low income groups and vulnerable people may be more affected by removal of EUSS on 30 June 2021.	<ul style="list-style-type: none"> - In terms of Workforce approx. less than 30 employees require EUSS. - Impact to UC maybe the most severe flag with no recourse to public funds. 	Communications via HR Workforce to Managers and Employees direct via online comms. Link to Working 4U to ensure West Dunbartonshire wide comms highlights support and impacts on Benefits where EUSS is not in place by June 2021.	<p>raised concerns with UK Govt and asked that Home Secretary to consider extending the EUSS deadline.</p> <p>The Council will continue to support and offer assistance to aid citizens and employees to complete their status application.</p>

Economic Instability – Michael McGuinness – January 2021			
Broad risk	WD Impact(s)	Action	Comments
Provision of information to Local businesses	<ul style="list-style-type: none"> - Potential impact that the local business community will seek sources of information to allow them to adapt, following Brexit and use up limited resources of Business Support delivering Covid grants. 	Communications and the web team need to be ready to respond proactively to any messages that the wider Council needs to issue following Brexit. Promotion of good sources of information for local businesses to adapt to the new environment will be provided.	<p>Governments guidance has been provided regarding the transition phase: https://www.gov.uk/transition https://www.prepareforbrexit.scot/ https://www.gov.scot/brexit/</p> <p>There are also number of online tools to support the Business community as part of the transition from Europe. The Scottish Chamber, FSB, Business Gateway and Scottish Enterprise provide a range of tools and guidance support https://www.scottishchambers.org.uk/press-releases/prepare-for-brexit/ https://www.fsb.org.uk/campaign/uktransition.html https://www.bgateway.com/support-to-prepare-your-business-for-brexit https://www.scottish-enterprise.com/support-for-businesses/trading-after-brexit</p>
The likelihood of an	<ul style="list-style-type: none"> - This presents a 	Working 4U will work with	See above and page 5/6 relating to Increased unemployment as a result of


Economic Instability – Michael McGuinness – January 2021			
Broad risk	WD Impact(s)	Action	Comments
economic crisis has increased and will have major impacts on disposable incomes and employability. The increased likelihood means that an economic is now more likely to occur concurrently with other risks	risk to our workforce, our communities and local economy. This will affect our vulnerable communities and hinder local economic growth. This clearly presents a challenge for WD due to the already high rates of deprivation and unemployment. There is also a risk that individuals may require additional support as a result of EU Exit putting more pressure on the local authority.	<p>strategic partners to ensure information about access to services is widely available</p> <p>Continued review of services to ensure increasing areas of demand are addressed</p>	economic disruption

Business Continuity – Jen Watt – January 2021			
Broad risk	WD Impact(s)	Action	Comments
Assess impact of EU-Exit on Business Continuity Plans	<p>Potential disruption to services</p> <ul style="list-style-type: none"> - Food - Medicines - Staff 	<p>WDC have undertaken a full review of all Business Continuity Arrangements</p> <p>Continuing to engage with CoSLA and Scottish Government</p> <p>Dialling into COSLA teleconferences</p> <p>Concurrent Risk Workshop for key officers was held on the 17th November via MS Teams</p>	<p>Business Continuity planning remains an operational focus. Any changes will be reflected into the respective Business Continuity Plans.</p> <p>CoSLA requested LAs to complete a questionnaire to provide information relating to resilience structures, additional structures and areas of risk. This was complete and returned to CoSLA.</p> <p>CoSLA reinstated EU Exit calls; the Civil Contingencies Officer regularly dials into these meetings, to discuss any arising issues and requests from Scottish Government and CoSLA. A brief synopsis of the call is circulated to the contributing officers for information and consideration.</p>
Notable risk of disruptive concurrent event (Disruptive Weather, COVID-19, local incident). Covid-19 has not reduced the risk from pandemic influenza, a novel emerging infectious disease and coordinated industrial action.	<p>Many of our officers have worked tirelessly through this pandemic without much leave to date. This may lead to key officers being on leave (as required for wellbeing) as we prepare for the months ahead.</p> <p>Given the likelihood that we will be required to respond to multiple</p>	<p>WDC have produced a suite of Business Continuity Plans and an Essential Service_Key worker List</p> <p>Resilience Structures in place. Strategic and Operational Resilience Groups and Resilience Group.</p>	<p>SRG and ORG discussing allocation of leave, staggering leave for key roles and ensuring business continuity arrangements are robust.</p> <p>The National Coordination Centre (NCC) is live. The purpose of the NCC is to:</p> <ul style="list-style-type: none"> • Address issues that cannot be managed at a local level that overwhelms local capabilities; • Identify potential trends e.g. shortages • All risk model <p>Daily reports are produced to give an oversight of the most pertinent risks facing Scotland. E.g. Weather, Health Board Capacity, EU Exit, COVID-19.</p>

Business Continuity – Jen Watt – January 2021			
Broad risk	WD Impact(s)	Action	Comments
	disruptive events at the same time, this puts significant pressure on our resilience structures and our ability to respond.		

Other Considerations - Stephen West, Vicky-Jane Hastings and Patricia Kerr – January 2021			
Broad Risk	WDC Impact(s)	Action	Comments
EU Funds / Grants	- Ongoing projects, planned projects or staffing that are reliant on EU funding, either directly or indirectly through the Scottish Government	Both the UK and Scottish Government have provided written reassurance that ESF will be continued in current form until 2023	Under the UK Withdrawal Agreement Bill, the UK will continue to participate in programmes funded under the current 2014-2020 Multiannual Financial Framework (MFF) until their closure. As described in Articles 137 and 138 of the Agreement. This applies to all ESF,ERDF & ETC projects signed by end of 2020 with funding ending in 2023.
Impact on the European Structural Fund	- Impact on outstanding allocations of structural funding committed by Managing Authorities under the 2014-2020 programmes	The previous UK treasury Guarantee was no longer required, following the UK Withdrawal Agreement Bill being approved, the previous guidance was withdrawn)	https://www.gov.uk/government/publications/continued-uk-participation-in-eu-programmes/eu-funded-programmes-under-the-withdrawal-agreement https://www.gov.uk/government/publications/new-withdrawal-agreement-and-political-declaration Hilary Pearce Head of European Structural Funds and State Aid Division is fully engaging with other Managing Authority heads across the UK and in relevant UKG departments to ensure her and her team are kept up to date with developments

Other Considerations - Stephen West, Vicky-Jane Hastings and Patricia Kerr – January 2021

Broad Risk	WDC Impact(s)	Action	Comments
			<p>The most recent letter providing clarification was issued by Hilary Pearce on the 27th January 2020:</p> <p> 20200127 - Letter - HP to Lead Partners -</p>
Other Financial Considerations	<p>-Impact of any fluctuations in the currency rate to expenditure.</p> <p>-Impact on future economic growth</p> <p>Impact on any regeneration projects and plans</p>	<p>Ensure council services purchasing though currency exchange remain within budget</p>	<p><u>Revenue spend</u></p> <p>Our transactions are in UK Sterling Pounds (£) but there may be an increase in the cost due to market fluctuations. WDC are subjected annually to an approx. 3% increase for many ICT systems. The actual increase is built into the budget each year, however due to exchange rate fluctuations there is a lack of certainty and this can lead to an overspend.</p> <p>See comments below re reports to Council on the budget-setting process and approach to managing this financial risk.</p> <p><u>Capital spend (ICT)</u></p> <p>Again WDC transactions are in £ and there may be an increase in the cost if the market does fluctuate. For capital projects, WDC approach is to adjust the volumes to remain within budget as device prices change every 6 months on the frameworks anyway. WDC have in the past asked for capital funding approval to be accelerated from future years where we have an urgent requirement and have no budget left. Costs will be monitored and any variations reported through normal budgetary control processes, which highlight reasons for cost increases. This remains valid- Jan 2021 and several suppliers have advised of delivery lead time delays.</p>
Expenditure	<p>- Impact of increasing inflation – costs to the council (excluding food):</p> <p>e.g. Energy costs; care agency costs</p>	<p>Monitor increases in costs of those identified as high risk/ high volume</p> <p>Monitor overall position through budgetary control</p>	<p>Energy bought in advance – short term risk minimal; however could have a longer term impact.</p> <p>The risk of cost increases arising from Brexit has been advised to Council in budget preparation reports since October 2018 and will continue to be advised. The final budget report each year advises that any price variations</p>

Other Considerations - Stephen West, Vicky-Jane Hastings and Patricia Kerr – January 2021

Broad Risk	WDC Impact(s)	Action	Comments
		<p>process</p> <p>SHORT TERM: consider earmarking additional resources at the year-end for the risk; or consider use of prudential reserve if required short term.</p> <p>LONGER TERM: consider building-in additional costs into the long term finance strategy based on evidence post-Brexit</p>	<p>will be reported and that it was expected that Council would manage such price variations should they arise through ongoing budgetary control and, if necessary, use of free reserves.</p>
Funding Support	- Impact to Council of chancellor revisiting the budget and affecting local government funding settlements	Monitor ongoing Brexit discussions and potential impact on the councils finances & the wider implications of the Scottish economy	Continue to monitor now a deal has been agreed.
Capital Receipts	- Capital Receipts do not materialise or are lower than anticipated	<p>Longer term vision on capital programme for both income and expenditure levels</p> <p>Regular Strategic Asset Management Group updates feeding through to the capital budgetary control report (to both Council and CMT)</p> <p>Capital Disposal Strategy with longer term vision to allow</p>	<p>Capital receipt opportunities are regularly considered at SAMG and PAMG. The Council will continue to monitor the housing market to monitor and react to any impact.</p>

Other Considerations - Stephen West, Vicky-Jane Hastings and Patricia Kerr – January 2021

Broad Risk	WDC Impact(s)	Action	Comments
		<p>movement in the assets due sold and timing of those assets</p> <p>Capital programme being monitored by CMT, Council and Committees on a regular basis</p> <p>Early identification of possible issues to allow action to reduce spend or identify further surplus assets for possible disposal to minimise shortfall.</p>	

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 10 March 2021

Subject: Audit Scotland Annual Audit Plan 2020/21

1. Purpose

- 1.1** The purpose of this report is to present Audit Scotland's Annual Audit Plan for the audit of financial year 2020/21 to Committee for information.

2. Recommendations

- 2.1** Members are asked to note Audit Scotland's audit plan for their audit of West Dunbartonshire Council for financial year 2020/21.

3. Background

- 3.1** Audit Scotland have produced their Annual Audit Plan which provides an overview of the audit approach to be adopted and describes the outputs the Council can expect to receive. The plan is appended to this report for noting.

4. Main Issues

- 4.1** The key audit risks, which require specific audit testing, are detailed in Exhibit 1 of the appended plan.
- 4.2** Audit outputs are detailed within Exhibit 2 and the financial statement timetable is shown at Exhibit 5.
- 4.3** Details of the audit of trusts registered as Scottish charities are provided at paragraphs 13 and 14, including risks detailed at Exhibit 3.
- 4.4** The fee for the local audit is £276,780 (2019/20: £269,590), including the audit of the charitable trust funds. The audit fee of £2,100 for the audit of trust funds is unchanged from 2019/20 - the Council will cover these costs.
- 4.5** As stated at paragraph 32, to support their audit opinion on the financial statements, Audit Scotland will place reliance on planned internal audit reviews in relation to:
- Procurement – Up to £50k spend
 - Pupil Equity Funding
 - IHMS Inventory Management

4.6 Audit Scotland's approach to Value for Money/Best Value is detailed in paragraphs 37 to 41.

5. Personnel Implications

5.1 There are no people implications.

6. Financial and Procurement Implications

6.1 The total fee quoted at paragraph 15 of £276,780 compares to £269,590 for 2019/20.

6.2 There are no procurement implications.

7. Risk Analysis

7.1 Audit Scotland's assessment of the risks facing the Council is detailed in their plan. An additional internal risk assessment was not required.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

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Stephen West
Chief Officer - Resources
Date: 10 March 2021

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Appendix 1: Audit Scotland Annual Audit Plan 2020/21

Background Papers: None

Wards Affected: All wards

West Dunbartonshire Council

Annual Audit Plan 2020/21



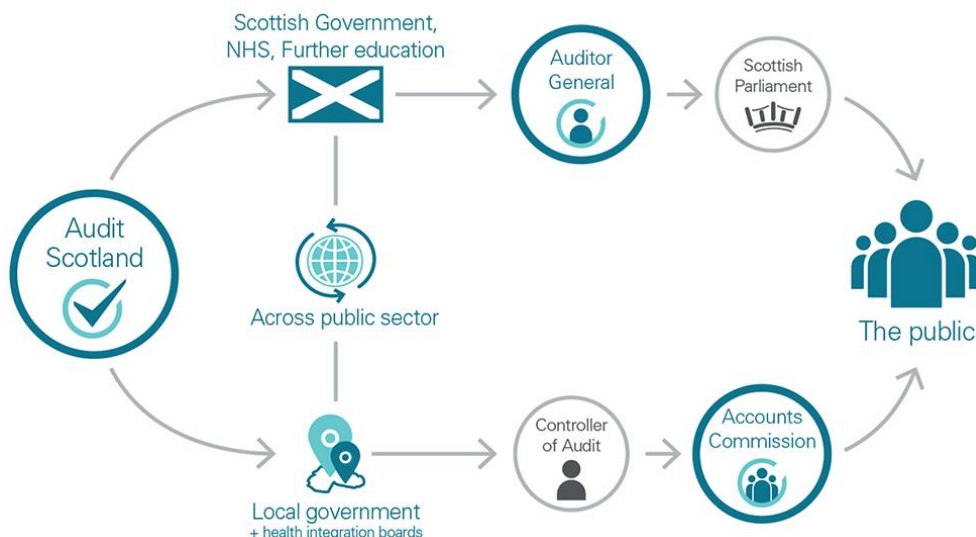
 AUDIT SCOTLAND

Prepared for West Dunbartonshire Council
10 March 2021

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit which is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and [guidance on planning the audit](#). This plan sets out the work necessary to allow us to provide an independent auditor's report on the annual accounts and meet the wider scope requirements of public sector audit including the audit of Best Value.

2. The wider scope of public audit contributes to assessments and conclusions on financial management, financial sustainability, governance and transparency and value for money.

Impact of Covid-19 on public audit

3. The public health crisis caused by the Covid-19 pandemic has had a significant and profound effect on every aspect of Scottish society. Public services have been drastically affected, requiring immediate changes to the way they are provided. The impact on public finances has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

4. Public audit has an important contribution to the recovery and renewal of public services. The Auditor General, the Accounts Commission and Audit Scotland are responding to the risks to public services and finances from Covid-19 across the full range of audit work including annual audits and the programme of performance audits. A January 2021 paper, [Covid-19 What it Means for Public Audit An Update](#), restates the principles and approach we are taking following the reintroduction of significant restrictions in Scotland.

5. Audit Scotland is unable to meet the audit timetables which were possible before Covid-19, but we will aim to conclude the audit as early as possible. The well-being of audit teams and the delivery of high-quality audits remain paramount. Maintaining a pragmatic and flexible approach will enable change at short notice as new issues emerge, or current risks change in significance. Where this impacts on annual audits, revisions to this annual audit plan may be necessary.

Adding value


6. We aim to add value to West Dunbartonshire Council through our external audit work by being constructive and forward looking, by identifying areas for improvement and by recommending and encouraging good practice. In so doing, we intend to help West Dunbartonshire Council promote improved standards of governance, better management and decision making and more effective use of resources.

Audit risks

7. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following significant audit risks for the council. We have categorised these risks into financial statements risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

Significant risks for the 2020/21 audit of West Dunbartonshire Council

	Audit Risk	Source of management assurance	Planned audit work
Financial statement risks			
1	Risk of material misstatement due to fraud caused by the management override of controls <p>International Auditing Standards require that audits are planned to consider the risk of material misstatement in the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p>	<ul style="list-style-type: none"> Owing to the nature of this risk, assurances from management are not applicable in this instance. 	<ul style="list-style-type: none"> Review of the Annual Governance Statement and the assurances obtained by the Section 95 officer in support of the statement. Detailed testing of journal entries. Review of accounting estimates. Focussed testing of accruals and prepayments. Evaluation of significant transactions that are outside the normal course of business.
2	Risk of material misstatement caused by fraud in revenue recognition <p>As set out in ISA (UK) 240, there is a presumed risk of fraud in the recognition of income.</p> <p>The extent and complexity of the council's funding streams means there is a risk that income may be misstated and result in a material misstatement in the financial statements.</p>	<ul style="list-style-type: none"> Majority of income received via electronic payment. Robust controls over income generation and receipting processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. 	<ul style="list-style-type: none"> Analytical procedures on significant income streams. Detailed testing of revenue transactions focussing on the areas of greatest risk. Review of budget monitoring reports focussing on significant budget variances.
3	Risk of material misstatement caused by fraud in expenditure <p>As most public-sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.</p> <p>The extent and complexity of the council's expenditure means there is a risk that expenditure may be misstated and result in a material</p>	<ul style="list-style-type: none"> Robust controls over expenditure and payment processes, including segregation of duties. Independent monitoring and review of suspense codes – including bank reconciliations. Normal budgetary control processes – reported monthly to Corporate Management Team (CMT) and departmental budget holders. 	<ul style="list-style-type: none"> Analytical procedures on significant expenditure streams. Detailed testing of expenditure transactions, including cut-off testing, focussing on the areas of greatest risk. Audit testing of grants, including the sample testing of expenditure and housing benefit transactions.



Audit Risk

Source of management assurance

Planned audit work

misstatement in the financial statements.

- Authorisation processes regarding transactions within the ledger – e.g. journals & creditor requests.
- Fraud prevention arrangements including Involvement in the National Fraud Initiative.

- Review of budget monitoring reports focussing on significant budget variances.
- Audit work on the National Fraud Initiative matches.

4 Estimation and judgements

There is a significant degree of estimation and judgement in the measurement and valuation of some material account areas, including:

- Non-current asset values which rely on expert valuations and management assumptions.
- The value of the council's pension liability which is an estimate based on information provided by management and actuarial assumptions.
- The council's provisions for doubtful debts which are based on management's assessment of the recoverability of debts.
- The value of other provisions which are based on management's assessment of the value and probability of potential future outflows.

This subjectivity represents an increased risk of misstatement in the financial statements.

- Asset valuations completed by Royal Institute of Chartered Surveyors (RICS) qualified surveyors.
- Pension Fund valuation completed by a qualified actuary with the applicability of actuarial assumptions used reviewed by Council officers.
- Provision for doubtful debts based on aged-debt approach, incorporating prior year experience.
- Other provisions calculations supported by clear evidence and / or robust assumptions.

- Review of the work of the valuer, including focused substantive testing of the classification and valuation of assets.
- Confirm asset values in valuation certificates are correctly reflected within the 2020/21 accounts.
- Review of the work of the actuary, including consideration of the appropriateness of the actuarial assumptions used.
- Review of council's procedures for ensuring actuarial valuations provided are appropriate and include assumptions relating to relevant legal rulings.
- Confirm pension valuations in actuarial report are correctly reflected within the 2020/21 accounts.
- Review the provision for doubtful debts calculations to assess whether they are reasonable and complete based on the risk that the debt will not be recovered.
- Review the basis for other provisions recognised, including detailed testing to source documentation where required.

5 Covid-19 funding streams

Councils are receiving additional funding to cover Covid-19 costs and are responsible for approving and distributing various grants and payments across almost 50 new funding streams.

Due to the volume and complexity of the various schemes there is an increased risk of fraudulent claims

- Developed assessment review and payment procedures in place to minimise the risk of fraudulent claims.
- A full process has been developed for the additional streams of funding including:

- Review Scottish Government and CIPFA/LASAAC guidance.
- Review of the controls in place for the payment of grants, with emphasis on the business support grant payments.
- Review of accounting treatment and disclosures in 2020/21 annual accounts to



Audit Risk

Source of management assurance

Planned audit work

and payments. In addition, there is a risk that the funding streams are not properly accounted for and disclosed in the 2020/21 annual accounts.

- detailed documentation of related correspondence; claim history; ledger coding;
- process for identifying ACOP requirements for individual streams for appropriate reporting through the Financial Statements.

ensure this is consistent with relevant guidance.

6 Covid-19 financial flexibilities

Councils are permitted to apply a range of financial flexibility options to mitigate some of the impact of Covid-19 during 2020/21 and 2021/22. These include flexibilities around:

- The use of capital receipts for revenue expenditure.
- The accounting treatment of debt included in service concession arrangements.
- Annual loans fund repayments.

Additional guidance is expected on how these items should be treated in the council's annual accounts and management has yet to determine whether they will opt to utilise any of the available financial flexibilities during 2020/21.

The technical nature of these items presents a risk of a material misstatement in the financial statements.

- Scottish Government/ CIPFA/LASAAC Guidance will be followed for treatment through Financial Statements.
- Early and ongoing discussions with Audit Scotland to ensure full disclosure and explanations are provided and considered prior to implementation in the Financial Statements. Clear working papers will also be provided, with appropriate references to the guidance where relevant.

- Review Scottish Government and CIPFA/LASAAC guidance.
- Discussions with management during the year to consider the accounting treatment of any financial flexibilities utilised.
- Review of accounting treatment and disclosures in 2020/21 annual accounts to ensure this is consistent with relevant guidance.

7 Remuneration Report disclosures

During 2020, the Council approved a restructuring of the corporate management team. As these changes were made midway through the 2020/21 financial year they will impact on the disclosures required within the financial statements.

There is a risk that the appropriate disclosures, in line with the [Local Authority Accounts \(Scotland\) Regulations 2014](#), are not made.

- The Council's new structure has been fully implemented by the year end and the information for all relevant Chief Officers will be requested from the Pension Office and included within the Financial Statements.

- Review of the remuneration report within the 2020/21 annual accounts to ensure that required information is disclosed for all relevant officers.



Audit Risk

Source of management assurance

Planned audit work

8 Untaken annual Leave accrual

We have previously reported audit adjustments relating to the council's untaken annual leave accrual due to errors in the year-end calculation for the annual accounts.

In 2020/21, there is an increased risk that any error in the calculation could result in a material misstatement. This is due to the council's revised policy for carrying forward leave during the Covid-19 pandemic, and the likelihood that this will result in staff having higher untaken leave balances at the year-end than in previous years.

- The procedures for calculating and reviewing the untaken annual leave accrual will be reviewed to ensure robust arrangements are in place for the 2020/21 annual accounts.

- Review of procedures put in place for the 2020/21 untaken annual leave accrual calculation.
- Review of the 2020/21 untaken annual leave accrual calculation during the financial statements audit.

Wider dimension risks

9 Services pressures created by Covid-19

The Covid-19 pandemic continues to place significant pressure on the provision of council services.

There is risk that the pressures caused by the pandemic will impact on the council's ability to meet its strategic objectives.

- Officers have, and will continue to, provided reports to Council on the impacts of Covid-19 on Council services.
- Reports on Strategic Objectives are provided to Elected Members at appropriate frequency.

- Ongoing monitoring of the council's performance reporting, and other reports and briefings on service impact of Covid-19.
- Review of annual performance report.

10 Financial sustainability

The Council has a projected funding gap of £5.751 million for 2021/22 and a cumulative gap of £12.747 million by 2022/23. At the time of writing this plan, the most up to date revenue position shows a projected annual adverse variance of £2.099 million. Of this projection, £2.102 million is due to the projected impact of Covid-19.


Part of the council's budget pressures come from funding its high levels of borrowing.

We also reported in 2019/20 that the Council's unearmarked balance of £2.752m was below its prudential target of £4.305 million.

There is a risk that the council's financial position may not be sustainable in the long term.

- Budgetary control reporting to CMT, service committees and Council) – this includes monitoring of agreed cost reductions.
- Long-Term Financial Strategy will be reviewed to highlight updated funding gaps as 2021/22 progresses.
- The Budget setting report to Council provides a clear linkage between revenue and capital budgets. It considers affordability by including short, medium and long-term projections and highlights the peak expected cost of borrowing based on the current 10-year plan.

- Continue to monitor the financial position throughout the year and provide an update in the 2020/21 Annual Audit Report.
- Consider the long-term affordability of budget decisions, including any planned use of reserves.
- Ongoing assessment of the council's long-term financial strategy, including the assumptions used.
- Review of the longer-term financial impact of the Covid-19 pandemic.

 Audit Risk	Source of management assurance	Planned audit work
	<ul style="list-style-type: none"> Officers will provide members with options for cost reductions to allow them to make informed decisions going forward. 	
<p>11 Capital project delays</p> <p>Gross capital expenditure (including HRA) is projected to be significantly underspent against the original budget for 2020/21. The majority of this is due to the impact of Covid-19 and the ongoing restrictions on capital works.</p> <p>There is a risk that the council's ability to deliver against its strategic plan is affected by the delays and additional costs for investment and improvements to the asset base.</p>	<ul style="list-style-type: none"> Major capital investments are monitored and reviewed regularly at the Strategic Asset Management Group and subsequently by the Performance and Monitoring Group. Progress on all capital projects are reported regularly to Council and relevant Council Committees The use of the enhanced project management approach developed by the Capital Investment Team should produce better quality project plans and lower values of slippage/delay. 	<ul style="list-style-type: none"> On-going monitoring of capital budget plans and reports. Follow up of the 2017/18 Best Value Assurance Report recommendations and report an update in the 2020/21 Annual Audit Report.

Source: Audit Scotland

Grant claims and returns

8. The council is required to make various grant claims and returns to UK or Scottish Government departments. Such claims and returns require to be audited prior to submission. We will perform testing and provide audit certificates in accordance with guidance issued by Audit Scotland. We have planned for the following claims and returns for 2020/21:

- Housing benefit subsidy claim
- Non-domestic rates income return
- Education maintenance allowances return
- Whole of government accounts return

9. Where unexpected claims or returns are received, or supporting working papers are not adequate, a supplementary fee may be requested.

Reporting arrangements

10. This audit plan, the outputs set out at [Exhibit 2](#), and any other outputs on matters of public interest will be published on Audit Scotland's website: www.audit-scotland.gov.uk.

11. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officers to confirm factual accuracy, prior to the issue and publication of final reports.

12. We will provide an independent auditor's report to West Dunbartonshire Council, and the Accounts Commission setting out our opinions on the annual accounts. We will also provide the Strategic Lead - Resources and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen during the audit.

Exhibit 2

2020/21 Audit outputs

Audit Outputs	Target Date
Interim Management Report	16 June 2021
Independent Auditor's Report	29 October 2021 *
Annual Audit Report	29 October 2021 *

* The 2020/21 audit planning guidance sets a target sign-off deadline for all council audits as the end of October 2021, this date is subject to discussion with the council

Source: Audit Scotland


The audit of trusts registered as Scottish charities

13. The preparation and audit of financial statements of registered charities is regulated by the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The 2006 regulations require charities to prepare annual accounts and require an accompanying auditor's report. The Local Government (Scotland) Act 1973 specifies the audit requirements for any trust fund where some or all members of a council are the sole trustees.

14. Members of West Dunbartonshire Council are sole trustees for five trusts, registered as Scottish charities, with combined assets of £0.277 million. Based on our discussions with staff and initial planning work undertaken we have identified the audit risks detailed in [Exhibit 3](#).

Exhibit 3

Significant risks for the 2020/21 audit of trusts registered as Scottish charities

 Audit Risk	Source of management assurance	Planned audit work
Financial statement risks		
1 Governance and investment documentation The Deed of Trust for the Dunbartonshire Educational Trust Scheme 1962 and UIE Award require to be updated. The governing documentation for the McAuley Prize for Mathematics	<ul style="list-style-type: none"> Officers continue to work with other Councils involved in these Funds to reach a satisfactory conclusion. 	<ul style="list-style-type: none"> Continue to liaise with officers to establish progress with updating and replacing Deeds of Trust. Review updated Deeds of Trust. Provide an update on progress in 2020/21 Annual Audit Report.



Audit Risk

Source of management assurance

Planned audit work

is not available and a new trust deed required.

2 Dormant Trusts

Some of the trusts have been dormant for a number of years, with annual activity on all trusts minimal. There is a risk that the trusts are not meeting the requirement of public benefit.

- Continue to liaise with Legal officers to establish progress against the plan to update and replace Deeds of Trust.

- Continue to liaise with officers and monitor the activity on trust funds.
- Provide an update on activity in 2020/21 Annual Audit Report.

Source: Audit Scotland

Audit fee

15. The agreed fee for the 2020/21 audit of West Dunbartonshire Council is £276,780 (£269,590 in 2019/20). The auditor remuneration element of the fee is £1,740 (1%) above the expected fee advised by Audit Scotland and reflects the scale of technical issues identified in the 2019/20 accounts that will require follow-up during 2020/21.

16. The agreed fee for the audit of the trusts registered as Scottish charities is £2,100 (audit fee also set at £2,100 in 2019/20).

17. Where our audit cannot proceed as planned through, for example, late receipt of unaudited annual accounts, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit Committee and Strategic Lead - Resources

18. Audited bodies are responsible for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. In West Dunbartonshire Council the Strategic Lead - Resources is the proper officer (section 95 officer), with responsibility for the administration of financial affairs. The council has delegated responsibility for the oversight of internal and external audit to its Audit Committee.

19. The audit of the annual accounts does not relieve management or the Audit Committee, as those charged with governance, of their responsibilities.

Appointed auditor

20. Our responsibilities as independent auditors are established by the Local Government (Scotland) Act 1973 and the Code of Audit Practice (including supplementary guidance) and are guided by the Financial Reporting Council's Ethical Standard.

21. Auditors in the public sector give an independent opinion on the financial statements and other information within the annual accounts.

Audit scope and timing

Annual accounts

22. The annual accounts, which include the financial statements, will be the foundation and source for most of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of West Dunbartonshire Council and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how West Dunbartonshire Council will include these in the financial statements
- assessing the risks of material misstatement in the financial statements and determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

23. We will give an opinion on whether the financial statements:

- the annual accounts give a true and fair view of the state of affairs of the council and the income and expenditure for the year
- the annual accounts have been properly prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- the annual accounts have been prepared in accordance with relevant legislation.

Other information in the annual accounts

24. We also review and report on the management commentary, governance statement and remuneration report. We give an opinion on whether they have been prepared in accordance with the appropriate regulations and guidance. We also read and consider the other information in the annual accounts and report any material inconsistencies with the financial statements or our own knowledge of the audit.

Materiality

Materiality levels for the 2020/21 audit of West Dunbartonshire Council

25. We apply the concept of materiality in planning and performing the audit. Materiality defines the maximum error that we are prepared to accept and still conclude that the financial statements present a true and fair view. It helps assist our planning of the audit and allows us to assess the impact of any potential audit adjustments on the financial statements in forming our opinions in the independent auditor's report.



26. We calculate materiality at different levels as described below. The calculated materiality values for West Dunbartonshire Council are set out in [Exhibit 4](#).

Exhibit 4

Materiality levels for the 2020/21 audit of West Dunbartonshire Council

Materiality values	Amount
Planning materiality: This is the figure we calculate to assess the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2020 based on the latest audited accounts.	£4.676 million
Performance materiality: This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 50% of planning materiality.	£2.338 million
Reporting threshold: We are required to report to those charged with governance on all unadjusted misstatements more than the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£0.050 million

Source: Audit Scotland

Materiality levels for the 2020/21 audit of trusts registered as Scottish charities



27. Planning materiality for the combined trust accounts has been set at £500 based on 2% of gross expenditure in the audited accounts for the year ended 31 March 2020, the latest audited accounts. We will also consider the impact on individual trusts when assessing the materiality of any errors identified as even where an error is not material to the combined trust accounts as a whole it may still be material to an individual trust.

Timetable

28. To support the efficient use of resources it is critical that a timetable is agreed with us for the production and audit of the annual accounts. The proposed timetable for the 2020/21 annual accounts is included at [Exhibit 5](#).

Exhibit 5

Annual accounts audit timetable

 Key Stage	 Date
Consideration of unaudited annual accounts by the Council	23 June 2021
Latest submission date for unaudited annual accounts with complete working papers package	30 June 2021
Latest date for final clearance meeting with Strategic Lead - Resources	8 October 2021
Issue of letter of representation, proposed independent auditor's report and annual audit report	15 October 2021
Agreement of audited unsigned annual accounts	15 October 2021
Presentation of annual audit report to those charged with governance	To be agreed *
Meeting of the Council to approve the audited annual accounts for signature by the Leader of the Council, Chief Executive and Section 95 Officer	To be agreed *
Independent auditor's report certified by appointed auditor	29 October 2021

* See paragraph 29 below

Source: Audit Scotland

29. The 2020/21 audit planning guidance sets sign-off deadlines for all local government audits of the end of October 2021 and the dates included at [Exhibit 5](#) are based on this deadline. If issues arise during the course of the audit that mean this is not practical (i.e. impact of Covid-19 on the production or audit of accounts), then we will communicate this to the council at the earliest opportunity available and agree a revised timetable for the completion of the audit. Likewise, if audit resources would enable an earlier sign-off of the 2020/21 annual accounts this will also be discussed and agreed with the council.

Internal audit

30. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process we carry out an annual assessment of the internal audit function at audited bodies.

31. The internal audit function at West Dunbartonshire Council is provided by its in-house internal audit team. Our assessment of the internal audit function concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Using the work of internal audit

32. In respect of our wider dimension audit responsibilities we plan to consider internal audit's work in the following areas:

- Corporate Procurement – up to £50k spend
- Pupil Equity funding
- IHMS – Inventory Management.

Audit dimensions

33. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#). Our conclusions on the four dimensions will contribute to an overall assessment and assurance on best value.

Exhibit 5 Audit dimensions



Source: Code of Audit Practice

Financial management

34. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- the effectiveness of the budgetary control system in communicating accurate and timely financial performance
- whether financial capacity and skills are adequate
- whether appropriate and effective arrangements for internal control and the prevention and detection of fraud and corruption have been established, including any changes to these controls as a result of Covid-19.

Financial sustainability

35. We consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the council's financial sustainability. We will carry out work and conclude on the following areas:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps
- the longer-term financial impact of the Covid-19 pandemic
- monitoring the arrangements put in place by the council to minimise any disruption resulting from the UK's withdrawal from the European Union.

Governance and transparency

36. Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information. We will review, conclude and report on:

- whether there is effective scrutiny, challenge and transparency on the decision-making and finance and performance reports
- the quality and timeliness of financial and performance reporting
- whether governance arrangements are appropriate and operating effectively, including consideration of revised governance arrangements resulting from Covid-19.

Value for money

37. Value for money refers to using resources efficiently and effectively and continually improving services. We will review, conclude and report on whether the council can demonstrate value for money in the use of resources and improved outcomes for residents.

Best Value

38. The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. A Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in a five-year period.

39. During 2017/18 a Best Value review of the council was completed. The [West Dunbartonshire Council BVAR](#) was published in June 2018. Our best value work this year will focus on following up on the progress against the recommendations from the BVAR. The results of this work will be reported in our 2020/21 Annual Audit Report.

40. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [exhibit 7](#). Reports will be considered by the Accounts Commission in the 2021.

41. The four councils on which a BVAR will be published during the fifth year of the new approach are listed in [Exhibit 6](#). The reports on these councils will be considered by the Accounts Commission in the period between March and November 2021.

Exhibit 6

2020/21 Best Value Assurance Reports



Aberdeen City Council

Falkirk Council

East Dunbartonshire Council

South Ayrshire Council

Source: Audit Scotland

Independence and objectivity

42. Auditors appointed by the Accounts Commission must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has robust arrangements in place to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

43. The appointed auditor for West Dunbartonshire Council is Fiona Mitchell-Knight, Audit Director. The appointed auditor for the charitable trusts is Richard Smith, Senior Audit Manager. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of West Dunbartonshire Council or the charitable trusts.

Quality control

44. International Standard on Quality Control (UK and Ireland) 1 requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor’s report or opinion is appropriate in the circumstances.

45. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews and internal quality reviews. Additionally, the Institute of Chartered Accountants of Scotland (ICAS) have been commissioned to carry out external quality reviews.

46. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead or to Audit Scotland’s Audit Quality and Appointments group.

West Dunbartonshire Council

Annual Audit Plan 2020/21

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WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer – Resources

Audit Committee: 10 March 2021

Subject: Internal Audit Plan 2020/21 – Progress to 10 February 2021

1. Purpose

- 1.1** The purpose of this report is to advise Members of progress at 10 February 2021 against the Audit Plan for 2020/21.
- 1.2** The report also advises Members of:
- Recently issued Internal Audit reports and action plans; and
 - Status of implementation progress relating to action plans from previously issued Internal Audit reports.

2. Recommendations

- 2.1** It is recommended that Members note the contents of this report.

3. Background

- 3.1** The annual audit plan for 2020/21 was approved by the Audit Committee on 17 June 2020. This report provides information on the progress in implementing the plan.
- 3.2** When audit reports are issued by Internal Audit, an action plan is agreed with management in relation to issues highlighted by the audit report. Progress on implementing the actions is monitored by Internal Audit on a monthly basis and regularly reported to the Audit Committee.

4. Main Issues

- 4.1.** The annual audit plan sets out the audit coverage for the year utilising available staff resources to enable the Shared Service Manager – Audit & Fraud to provide the annual internal audit opinion regarding the adequacy and effectiveness of internal control within the Council.
- 4.2** A new risk-based audit methodology has been implemented during 2020/21. For each audit, one of 4 audit opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.

Requires Improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

- 4.3** Detailed findings and recommendations reported to management are graded using the following criteria:

Red	In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with Internal Audit) within reasonable timeframe. Overseen to completion by Chief Officer/Head of Service.
Green	In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit. Managed by service owner. Not reported in Audit Committee papers.

- 4.4** Since the Audit Committee meeting in November 2020, two audits have been finalised as follows:

Reports finalised since last Audit Committee	Grading			Total
	Red	Amber	Green	
Cyber Security (2019/20)	0	4	4	8
Roads Costing System Process	0	2	2	4
Total	0	6	6	12

4.5 Cyber Security (December 2020)

- 4.5.1** The WDC Risk Register recognises the threat of cyber attack as a strategic risk with a potentially significant impact. The Scottish Government has produced a Cyber Resilience Strategy for Scotland, The Public Sector Action Plan 2017-18 and published a revised Public Sector Cyber Resilience Framework in January 2020. WDC holds a PSN compliance certificate which facilitates dealings with other parties such as the DWP. This certification is obtained where it has been evidenced that a minimum level of controls are in place. A 'multiple layer defence' approach is taken by WDC to achieve an appropriate level of cyber security, for example, there are boundary controls that protect the interface to the internet, servers sit externally and are segregated and end point encryption is in place.

The Information Security Policy Framework provides guidance to all employees with access to WDC computer systems on best practice, acceptable and unacceptable use.

- 4.5.2** The objective of this audit was to provide management and the Audit Committee with an audit assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to cyber security.
- 4.5.3** The overall control environment opinion was **Satisfactory**. There were 4 **AMBER** issues identified, however, due to the potential sensitivities in terms of security risk these issues are not detailed within this report. The Chair of the Audit Committee has been fully briefed on the 4 issues.
- 4.5.4** The review identified 8 issues, 4 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2021.

4.6 Roads Costing System Process (February 2021)

- 4.6.1** The Roads and Transportation Service manages and maintains the public road network as governed by The Roads (Scotland) Act 1984 within West Dunbartonshire. The Roads Operations unit of the Roads & Transportation Service undertakes the majority of the Council's Roads cyclic maintenance and capital construction work for which there is a complete Costing System Process operated. Roads Services has an annual budget of £4.3 million.
- 4.6.2** Design and maintenance is the main budget under which jobs are carried out by the Roads Operations service. These works are planned quarterly (e.g. potholing & gully cleaning), yearly (e.g. sign maintenance), Capital works (e.g. roads upgrades), ad-hoc works & emergency reactive work. The Profess costing system used by Roads is a two-sided system representing Roads Service which acts as a client and allocates work to Roads Operations (in-house contractor) and to various external contractors. It was developed as a bespoke system replacing the G/Link previously used by Strathclyde Regional Council. It was brought on line in 2009.
- 4.6.3** The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls over the key risks faced by West Dunbartonshire Council in relation to Roads Costing System Processes.
- 4.6.4** The overall control environment opinion was **Satisfactory**. Two **AMBER** issues were identified as follows:

1) Logical Access to Profess System (Amber)

There is no formal process in place for approving access to or removal of access from the Profess Costing System for new Roads staff or other Council employees requiring to work on the system. In addition, there is no regular review of access rights granted to ensure access to the system remains appropriate and that employees who have left the Council or changed departments have been removed from the system.

Where there is no formal process in place to ensure access rights to the Profess Costing System are recorded, approved and reviewed on a regular basis, there is a risk that unauthorised users compromise the data within the system.

2) Closure of jobs in Profess System (Amber)

There is no formal process followed in relation to the closure of completed jobs in the Profess System once all work relevant to a particular job is complete and all costs have been charged to that job. Specifically, the closure of jobs is not subject to an approval process and can be reopened to allow for late invoices to be processed, however appropriate records are not maintained for subsequent review.

Where there is no formal process in place there is a risk that jobs are not closed off properly with all relevant costs charged to jobs.

4.6.5 The review identified 4 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 March 2022.

4.7 The 2020/21 Annual Audit Plan is underway and current status is as follows:

Stage	Number of Audits
Final Report	2
Draft Report	0
Fieldwork Complete	0
Fieldwork	3
Planning	3
Not Started/Deferred to 21/22	3
Total	11

4.8 In relation to audit work for IJB, 2 audits were planned, one of which is complete and fieldwork in relation to the remaining audit is underway.

4.9 In relation to the Valuation Joint Board, 2 audit reviews were planned and both are complete with reports provided to management.

4.10 In relation to the Leisure Trust, fieldwork for the risk-based review is underway and reports have been drafted in relation to implementation of actions arising from previous audit reviews.

4.11 The detailed Annual Audit Plan progress to 21 October for the 2020/21 annual audit plans is set out at Appendix 1.

4.12 There are 3 audits which have been deferred to 21/22 audit plan as follows:

- Financial Assessments Process – a process redesign was undertaken in relation to the financial assessments process. The new process will be subject to audit review during 21/22; and
- Learning Disabilities – Financial Monitoring of Contracts – due to resource constraints it was agreed with Service Management to defer the audit to 21/22 to allow staffing levels to stabilise. This audit will be carried out early in 21/22.

- Occupational Therapy – Waiting Times – due to impacts arising from Covid-19, this audit will be carried out in 21/22.

In addition, in relation to inventory management, routine stock checks have not been undertaken during 20/21 due to the impact of lockdown. Building Services management have confirmed that stock checks will be performed during February and March for the main sites and Internal Audit will attend each of the stock checks and make any recommendations for improvement at that point.

4.13 Internal and External Audit Action Plans

In relation to audit action plans, these are monitored by Internal Audit on a monthly basis. There were 5 actions due for completion by the end of January of which 4 actions have been reported as complete by management and the completion date in relation to one action has been revised.

Work is ongoing with relevant services to ensure action plan dates agreed are realistic. The status report at 31 January 2021 is provided at Appendix 2.

4.14 The Council's Internal Audit function follows the professional standards as set out in Public Sector Internal Audit Standards (PSIAS) effective April 2013 (updated April 2017) which includes:

- Definition of Internal Auditing;
- Code of Ethics;
- Attribute Standards (responsibility, independence, proficiency, quality); and
- Professional Standards (managing activity, nature of work, engagement planning, performing the engagement, communicating results, monitoring progress, risk management).

Ongoing Corporate Fraud Team Work

4.15 From 1 April to 31 December 2020, the Corporate Fraud team's day to day work has resulted in actual recoveries, charges and re-billings as detailed below, against an annual target of £229,000.

Description	Amount (£)
Council Tax Reduction	58,226
Council Tax Single Person's Discount	22,063
National Fraud Initiative	11,093
J/W Housing Benefit/Council Tax Reduction	13,702
Non DWP Housing Benefit	205,874
Non DWP Council Tax Reduction	23,102
Total	£334,059

4.16 The Internal Audit Team and the Corporate Fraud Team continue to work together as appropriate in order to ensure a joined-up approach to fraud investigation and detection.

National Fraud Initiative

4.17 The National Fraud Initiative (NFI) is a series of biennial exercises run by the Cabinet Office and Audit Scotland to identify or prevent fraud and error by matching

electronic data held by public bodies. Participating bodies are required to investigate data discrepancies within a timescale and report back on any savings.

- 4.18** The most recent biennial exercise for 2020/21 released data to Councils in January 2021, providing matched datasets for organisations to investigate. There is an expectation that organisations would examine all “High Risk” matches and a proportion of the other matches too. WDC applies a risk-based approach to the NFI matches in the medium and low risk categories. A separate report on the 2020/21 has been provided to the March Audit Committee for information.

Benchmarking

- 4.19** In accordance with the Council’s Strategic Improvement Framework, services should undertake benchmarking activity with the equivalent function in other Councils. Therefore, WDC Internal Audit has entered into a benchmarking group which involves six other Councils, these being:

- Argyll and Bute;
- Clackmannanshire;
- East Dunbartonshire;
- Falkirk;
- West Lothian;
- Inverclyde.

- 4.20** Regular meetings will continue to take place during 2021 to review performance against agreed performance indicators and identify other areas for sharing of best practice. Relevant action will be taken where improvements are identified. The outcome of this review will be reported to Committee when completed.

5. People Implications

- 5.1** There are no people implications.

6. Financial and Procurement Implications

- 6.1** As a result of Corporate Fraud Team activity, actual recoveries, charges and re-billings of £334,059 from 1 April to 31 December 2020 have been identified, against an annual target of £229,000. The comparative figure for the prior year to 31 December 2019 was £321,888.

- 6.2** There are no procurement implications arising from this report.

7. Risk Analysis

- 7.1** There is a risk that failure to deliver the Internal Audit Plan would result in an inability to provide a reasonable level of assurance over the Council’s system of internal financial control to those charged with governance. The main basis for providing assurance is coverage of the planned risk based systems audits. Every endeavour is made to ensure that no material slippage occurs in risk based audits by concentrating resources on these audits.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to strong corporate governance.

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Stephen West
Chief Officer - Resources
Date: 10 March 2021

Person to Contact:	Andi Priestman, Shared Service Manager – Audit & Fraud E-mail: andi.priestman@west-dunbarton.gov.uk
Appendices:	2021-21 Annual Audit Plan – Progress to 10 February 2021 (Appendix 1) Status of Internal Audit Action Plans to 31 January 2021 (Appendix 2)
Background Papers:	Audit Committee – 17 June 2020: Internal Audit Plan 2020/21 Audit Committee – 21 March 2018: Counter Fraud and Corruption Strategy Internal Audit Reports - Copies available on request
Wards Affected:	All wards

Audit/Status	Not Started	Planning/ TOR	Fieldwork	Fieldwork Complete	Draft Report	Final Report	Reported to Audit Committee
Risk –Based Reviews							
LD Services – Financial Monitoring of Contracts	✓						Deferred to 21/22 Plan
IHMS – Inventory Management – Stock Checks		✓					June 2021
Homelessness		✓	✓				June 2021
Management of Rent Arrears		✓					March 2021
OT Waiting Times	✓						Deferred to 21/22 Plan
Client Account Administration Process		✓					March 2021
Financial Assessment Process	✓						Deferred to 21/22 Plan
Corporate Procurement – up to £50k		✓	✓				June 2021
Roads Costing System Process		✓	✓	✓	✓	✓	March 2021
Pupil Equity Funding		✓	✓				June 2021
Limited Scope Financial System Reviews							
Council Tax – Discounts and Exemptions		✓	✓	✓	✓	✓	November 2020
Other Work							
Integration Joint Board – Internal Audit Service	The annual audit plan for 2020/21 was approved in April 2020. One audit is complete and was reported to the September 2020 meeting of the IJB Audit Committee. Fieldwork for the second audit is currently underway.						
Valuation Joint Board – Internal Audit Service	Two audit reviews were agreed and both are now complete. Reports have now been issued to management.						
Leisure Trust – Internal Audit Service	Fieldwork in relation to the risk-based review is now underway. The remaining allocation of audit days has been used to undertake a follow up exercise for audit reviews undertaken in prior audit years to provide assurance on the follow up process to the LT Audit Committee. A draft report has now been prepared for the follow up reviews.						
Covid-19 Post Assurance Review	In relation to Business Grants, matches from the National Fraud Initiative are now expected to be received by March 2021. A sub-group of Audit Committee members supported by relevant Chief Officers from the Council have carried out a self-assessment exercise in relation to the Covid-19 Guide for Audit and Risk Committees and a separate report has been included on the agenda for the March 2021 Audit Committee.						
National Fraud Initiative	Matches for the 20-21 exercise have started to be received. A separate report is included on the agenda for the March 2021 Audit Committee in relation to the 20-21 exercise.						



**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
AT 31 JANUARY 2021**

Summary: Section 1 Summary of Management Actions due for completion by 31/01/2021

There were 5 actions due for completion by 31 January 2021 of which 4 actions have been reported as completed and the completion date in relation to one action has been revised.

Section 2 Summary of Current Management Actions Plans at 31/01/2021

At 31 January 2021 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/01/2021

At 31 January 2021 there were 34 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 January 2021 there were 15 audit action points where the agreed deadline had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF ACTION PLANS DUE FOR COMPLETION BY 31.01.2021**

SECTION 1

Strategic Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
HSCP	3	3		
Community Health and Care	2	1	1	
Total	5	4	1	

* These actions are included in the Analysis of Missed Deadlines – Section 4

In addition, there was one action due for completion in February which has also been completed as follows:

Agreed Action	Management Comment
171. HSCP Case Management	
<u>1. Children's Services - Workload of staff</u> a) Managers endeavour to allocate based on risk and complexity of need; work to identify any appropriate, reliable tools will be undertaken as part of wider service redesign. Recruitment to vacant and additional posts will also support progress here. b) Data cleanse to ensure accurate caseloads is being forward by a sub group of the wider team with Information Team colleagues. c) Recruitment continues: 6 Social Worker vacancies recruited to. 6 additional Social Worker posts (in addition to establishment) also being recruited to. 4 of 6 additional Support Workers (2 year contracts) recruited to-date. Funding previously allocated to some third sector organisations is now being reinvested to support this over-recruitment.	Allocation process is now live on Care First and brief guidance developed to be issued to managers. Go live date for managers within the service was 1 February. Recruitment has concluded. This action is now complete.

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS
SUMMARY OF CURRENT ACTION PLANS AT 31.01.2021**

SECTION 2

CURRENT ACTIONS BY STRATEGIC AREA









HSCP	
Due for completion April 2021	1
Total Actions	1
Children and Families	
Due for completion February 2021	1
Due for completion March 2021	7
Due for completion April 2021	2
Total Actions	10
Community Health and Care	
Due for completion February 2021	1
Due for completion March 2021	6
Total Actions	7
Mental Health, Learning Disabilities and Addictions	
Due for completion March 2021	1
Total Actions	1
Regulatory and Regeneration	
Due for completion March 2021	2
Due for completion April 2021	1
Due for completion March 2022	1
Total Actions	4
Housing and Employability	
Due for completion May 2021	2
Total Actions	2
People and Technology	
Due for completion February 2021	6
Due for completion March 2021	1
Total Actions	7
Roads and Neighbourhood	
Due for completion February 2021	1
Due for completion March 2021	1
Total Actions	2
Total current actions:	34

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

Recently Issued Internal Audit Action Plans




1. Cyber Security (Report issued December 2020)

Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/081	Finding 1 (Amber) a) Action 1		28-Feb-2021	28-Feb-2021	ICT Security Officer	Chief Officer People and Technology
	b) Action 2		28-Feb-2021	28-Feb-2021	ICT Security Officer	
	c) Action 3		31-Mar-2021	31-Mar-2021	Strategic Change and People Manager	
	d) Action 4		Complete	Complete	ICT Security Officer	
IAAP/082	Finding 2 (Amber) a) Action 1		28-Feb-2021	28-Feb-2021	Section Head - ICT	Chief Officer People and Technology
	b) Action 2		28-Feb-2021	28-Feb-2021	ICT Security Officer	
IAAP/083	Finding 3 (Amber) Action 1		28-Feb-2021	28-Feb-2021	Section Head - ICT	Chief Officer People and Technology
IAAP/084	Finding 4 (Amber) Action 1		28-Feb-2021	28-Feb-2021	Section Head - ICT	Chief Officer People and Technology

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

<div>  2. Roads Costing System Process (Report issued February 2021) </div>						
Code	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/085	Access to Roads Costing System (Amber) Form to be developed which will be e-mailed to any new users to request access, authorised by a Roads Co-Ordinator and then processed & set-up/deleted by Technical Assistant Regulatory or another Profess Supervisor.		31-Mar-2021	31-Mar-2021	Roads Operations Co-Ordinator	Chief Officer – Roads and Neighbourhood
IAAP/086	Closure of Jobs On Profess (Amber) Form to be developed with relevant approvals sought.		31-Mar-2021	31-Mar-2021	Roads Operations Co-Ordinator	Chief Officer – Roads and Neighbourhood




*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

Current Internal Audit Action Plans

154. Charging Policy - Non Residential Services (Report Issued May 2019)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
T&PSR/IA AP/732	<u>1. Financial Assessments Not Located/Provided</u> Service areas should ensure that it is built into their processes that Financial Assessment reviews are undertaken on an annual basis as this does not appear to be happening as standard. In addition, record keeping needs to be improved. (High Risk)	The Head of Service will issue an instruction to Integrated operational Managers on the requirement to undertake a Financial Assessment as part of the initial assessment of care and also that this should be reviewed annually. Evidence should also be retained to verify that this has been done. The HSCP SMT has agreed that an Extended Management Team session will be held around the operational responsibilities of social care staff.		30-Jun-2019 30-Sep-2020	01-Apr-2021*	Fraser Downie; Jo Gibson; Jonathan Hinds	Beth Culshaw
T&PSR/IA AP/734	<u>3. Evidence of Benefits</u> When carrying out Financial Assessments, verification of the clients Benefits/Income/Capital should be carried out, this verification should be retained as evidence to the assessment. Alternatively, consideration should be given to accessing/sharing information from the IWorld Benefits system as this is verified/evidenced information which would also ensure that the client is only being asked once for the information. (Medium Risk)	The revised Charging Policy will stress that evidence must be provided and retained to allow for a robust financial assessment to be undertaken. If service user refuses then the full charge will be applied. This will be detailed within the financial assessment. IWorld access to be given to members of staff currently carrying out Financial Assessments for Residential Placements. Extending this will be considered where appropriate.		30-Aug-2019 30-Sep-2020	01-Apr-2021*	Jonathan Hinds	Beth Culshaw
T&PSR/IA AP/735	<u>4. Charging Policy</u> As the Community Based Care Charging Policy - Non Residential Services has not been reviewed for at least eight years and as some parts of the policy requires to be more generic and other parts require to be more specific, it is recommended that the policy be fully reviewed and revised. This will therefore provide more clarity, eliminate ambiguity and make it fit for purpose. It is also recommended that all services be included in the review to ensure input from all areas. In addition, once reviewed, the date of the revision should be recorded on the policy to ensure that there is proper version control. (Medium Risk)	A Charging Policy Review Group has been established on 7th Jan with meetings scheduled for every 2 weeks until end of June. The group includes all Heads of Service, the CFO, some Integrated Ops Managers and social care accountant. The draft Terms of Reference were considered at the 2nd meeting and agreement was reached between HoS about seconding a social worker to support the process. The review will consider the impacts of new Carers Act and Free Personal Care for Under 65 as well as Self Directed Support duties. It will also address the current anomalies/inequities between service users and opportunities to maximise charging in the context of the council's Commercialisation Policy – but within COSLA		31-Aug-2019 30-Sep-2020	31-Mar-2021*	Jonathan Hinds	Beth Culshaw

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
		Guidance. Personal care is defined in legislation. A simple "service user guide" to non-residential charges can be added to the website/leaflet for distribution.					




165. CM2000 Functionality (Report Issued February 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/026	<u>Compliance with Clocking in and out in the CM2000 system</u> It is recommended that Management formalise checks/follow up for the clocking in and out on a regular basis. Results should be cascaded to Team Leaders/Supervisors to discuss missed clocking in and out with relevant staff to help achieve the target with the compliance level. (Medium Risk)	We have committed that back office staff will undertake live monitoring. We have written a "Reconciliation Standards" document for the admin team. It explains how they are to handle each Reconciliation scenario, We will work with HR to undertake formal action under the performance management policy for those staff who failed to log in and out of visits.		30-Apr-2020 30-Nov-2020	31-Mar-2021*	Richard Heard	Lynne McKnight
IAAP/027	<u>Compliance with Clocking in and out in the CM2000 system</u> b) It is recommended that Management roll out this new App as soon as the pilot is completed in order to assist with increasing the compliance level. (Medium Risk)	New app will be rolled out in next three months as tags for all clients will need to be re-programmed and training provided for front line Home Carers.		30-Apr-2020 30-Nov-2020 31-Dec-2020	31-Mar-2021*	Richard Heard	Lynne McKnight
IAAP/028	<u>Overtime Payment</u> It is recommended that: • all timesheets are checked and agreed to CM2000 system before being authorised for payment; • where there are instances of non-compliant clock in overtime, appropriate additional authorisation should be obtained. (Medium Risk)	We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented by September 2020. In the meantime Admin will do cross checks against clocking in and out. A communication will be issued to all home care staff re compliance and claims for overtime.		30-Nov-2020	31-Mar-2021*	Richard Heard	Lynne McKnight
IAAP/029	<u>Implementation of additional CM2000 Functionality</u> a) It is recommended that Management pilot and fully implement the Mileage functionality across the Homecare team within the planned time frame. (Medium Risk)	Mileage Wizard will be rolled out in next six months. This will depend on high compliance.		30-Jun-2020 30-Nov-2020	31-Mar-2021*	Richard Heard	Lynne McKnight




*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/030	<u>Implementation of additional CM2000 Functionality</u> b) It is recommended that Management develop a plan in collaboration with WDC ICT and Payroll to implement the Financial module. (Medium Risk)	We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented for testing by September 2020		30-Nov-2020 31-Jan-2021	31-Mar-2021*	Richard Heard	Lynne McKnight






P 171. Social Work - Case Management (Report Issued August 2020)

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/047	<u>2. Children's services - Unallocated cases</u> The weekly meetings between the SSWs should be formally minuted, explaining why each unallocated case has not been treated as a priority and why they believe there is a limited risk in delaying the allocation of that case. (Medium Risk)	Weekly allocation meetings can include brief action note of decisions around allocation/non-allocation, process of review etc. or note on Care First for each case noting outcome of allocation meeting.		31-Aug-2020 31-Dec-2020	28-Feb-2021*	Annie Ritchie	Jonathan Hinds
IAAP/048	<u>3. Children's services – Supervision of casework</u> Senior Social Workers (SSWs) should be required to discuss all cases allocated to Social Workers on a regular basis to ensure that appropriate review is taken of lower priority cases and that no cases remain open which should be closed. Performance management information showing cases which have not been updated within a specified period should be obtained to enable SSWs to gain assurance that there are no open cases which are not being actively dealt with. (Medium Risk)	Supervision with staff covers a range of issues in addition to discussion about cases. Supervision process requires review and update – can reflect frequency of discussions around cases; consider discussion of a certain number of cases in each supervision session. Explore an improved 'Team around the Child' reviewing model. Monthly report to managers, Head of Service, HSCP Chief Officer and Council Chief Executive includes breakdown of unallocated cases. Develop management exception report re: cases with no activity recorded for periods of time to provide further scrutiny and assurance.		31-Mar-2021	31-Mar-2021	Annie Ritchie	Jonathan Hinds
IAAP/049	<u>4. Children's Services – Recording of supervision meetings</u> Supervision meetings should be recorded in line with the supervision policy and all Social Workers should be provided with a summary of the non case related discussion element of the meeting. (Low Risk)	Managers can revisit supervision guidance to support consistent feedback and to improve supervision records and agreed tasks. Supervision notes to be held securely to provide record of decisions and actions. Managers to review supervision arrangements and frequency with direct reports and their teams to ensure		31-Aug-2020 31-Dec-2020	30-Apr-2021*	Annie Ritchie	Jonathan Hinds

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**




SECTION 3

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
		they meet requirements of service and policy.					
IAAP/050	<u>5. Children's Services - Peer review of case files</u> Management should consider what level of peer review is required to ensure that the cases are being recorded adequately and assess how the process can be re established given the current team workloads. (Medium Risk)	Management Team are reviewing peer review processes as part of case file audit and monitoring and how this can inform service redesign. Work has commenced as part of the PACE workstream in respect of children looked after at home. Intention to scale up when capacity is increased.		31-Oct-2020	31-Mar-2021*	Annie Ritchie	Jonathan Hinds
IAAP/051	<u>6. Children's Services - Case reviews</u> a) SSWs should be reminded that all cases allocated to social workers should be reviewed as part of the Supervision process and manager supervision notes should be added to CareFirst as evidence of manager review. b) Management should consider obtaining regular management information from CareFirst highlighting, for example, cases where no observations or manager comments have been added within a certain time period. (Medium Risk)	a) See response to 3, above. b) Develop management exception report re: cases with no activity recorded for periods of time to provide further scrutiny and assurance.		31-Mar-2021	31-Mar-2021	Annie Ritchie	Jonathan Hinds
IAAP/052	<u>7. Children's Services - Policies and Procedures</u> Management should review and update the procedures and guidance documents to ensure they provide accurate guidance as to what is required of the social workers. Management should reiterate the importance of all procedures being followed. (Low Risk)	Policies to be reviewed and updated in terms of quality assurance, good practice and service redesign.		31-Mar-2021	31-Mar-2021	Annie Ritchie	Jonathan Hinds
IAAP/053	<u>8. Children's Services - Performance management information</u> Team Leaders and Senior Social Workers should review the information within the reports and validate the figures being provided. Where necessary a data cleanse process should be carried out to identify open cases which should be closed. The Team Leaders should consider whether the information provided is useful and how they can use it going forward to assist in the planning and review of the work being undertaken within their teams. (Low Risk)	Team Leads and Senior Social Workers to review management information reports and check recording processes to ensure accuracy. As 1b, above Fieldwork managers to review how management reports can support allocation processes and case management planning across teams.		31-Aug-2020	31-Mar-2021*	Annie Ritchie	Jonathan Hinds
IAAP/054	<u>9. Children's Services - Enhancement to Performance Management Information</u> Management should consider whether oversight could be improved through reviewing the reporting functionality on CareFirst and	As part of improving management reports this can be included for further discussion around Care First functionality and managing workloads.		31-Aug-2020 31-Dec-2020	31-Mar-2021*	Annie Ritchie	Jonathan Hinds

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**





SECTION 3

Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
	<p>developing reports such as:</p> <ul style="list-style-type: none"> • a report which would show any open cases on Care First where the last observation was over six months or one year ago - where SSWs are unable to review all cases at Supervision meetings this would help identify cases which have not been followed up on a timely basis and cases which could potentially be closed. • a report which would show cases where there had been no manager supervision comments for a defined period of time e.g. six months. This would highlight cases where there is no evidence of manager supervision and highlight either that managers have not had time to document their supervision or that supervision has not taken place in line with the procedures requirements. <p>(Low Risk)</p>						
IAAP/056	<p><u>11. Community Health and Care Services – Supervision</u> As noted in recommendation 10 above, the Supervision Policy requires to be reviewed. As part of this review management should re-emphasise the importance of including supervision of cases on CareFirst as evidence of review and consider how the supervision meetings should be recorded (Medium Risk).</p>	A review of the supervision policy will be carried out, including consideration of records distribution and storage.		31-Dec-2020	31-Mar-2021*	Sylvia Chatfield	Sylvia Chatfield
IAAP/057	<p><u>12. Community Health and Care Services - Completeness of Information on CareFirst</u> Management should investigate and ensure that all essential information is available on CareFirst. (Medium Risk)</p>	Workplan in place to reduce risk of data being held in one system and not being accessible to other users. NHS GGC have released a project manager to lead this for WDHSCP		31-Mar-2021	31-Mar-2021	Margaret -Jane Cardno	Jo Gibson
IAAP/059	<p><u>14. Community Health and Care Services - Care home placement reviews</u> Management should consider whether it would be more appropriate to carry out an annual review of all placements in to private care homes to ensure they are being monitored effectively. (Medium Risk)</p>	A review of scrutiny and support to independent sector care homes will be completed, to ensure appropriate level of resources are in place to monitor quality of care.		30-Sep-2020	28-Feb-2021*	Jo Gibson	Jo Gibson

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**




SECTION 3

P	172. Taxi Licensing (Report issued October 2020)						
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/064	<u>Insufficient and Outdated Policies and Procedures</u> All policies and procedures should be reviewed and updated where necessary with new procedures and forms being developed where applicable. Going forward all policies and procedures should include version control and the date of the last review. (High Risk)	The Licensing Team will review procedures to update and improve as necessary.		30-Apr-2021	30-Apr-2021	Raymond Lynch	Peter Hessest
IAAP/066	<u>Acceptance of Incomplete/ Inaccurate Application forms</u> In the medium term the licensing team should look to phase out paper based applications completely with all licences being required to be submitted online, with originals of documents presented either in the one stop shops or directly to the licensing team. (High Risk)	Paper copy applications will be available in the medium term and the licensing team will work with the Trade to seek to establish a timetable to remove the ability to apply using paper applications.		31-Mar-2022	31-Mar-2022	Raymond Lynch	Peter Hessest
IAAP/069	<u>Integrity of Documentation</u> A full review of all documentation should be undertaken to ensure the integrity of all the information being held by the licensing team. Going forward regular reviews should be undertaken. An interim update will be provided by 31 March 2021. (High Risk)	Noted and agreed. This is already being undertaken at a team level and regular reviews will be inbuilt and further appropriate advice sought from Record Management Officers as required.		31-Mar-2021	31-Mar-2021	Raymond Lynch	Peter Hessest
IAAP/071	<u>Failure to Adhere to Licence Conditions</u> Publicly available information needs to be more explicit in stating that it is a licence holder's responsibility to uphold the licence conditions and if they don't their licence is at risk. Officers will consult with the taxi forum on existing terms and conditions and thereafter report to the Licensing Committee on the consultation. An interim update will be provided by 31 March 2021. (Medium Risk)	While it should already be apparent to licence holders what the consequences of not following conditions may be, the Licensing team will ensure in all cases that Licence Holders are issued/reissued with the terms and conditions of their licence to increase awareness, website information pertaining to this on the licensing webpage will be reviewed. In addition, officers will consult with the taxi forum on existing terms of licence conditions and thereafter, report to the Licensing Committee on the consultation.		31-Mar-2021	31-Mar-2021	Raymond Lynch	Peter Hessest

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
CURRENT ACTION PLANS AT 31.01.2021**

SECTION 3

<div>  173. Housing Voids (Report Issued October 2020) </div>							
Code	Recommendation	Agreed Action	Status	Original Due Date	Due Date	Assigned To	Managed By
IAAP/079	<u>1.Void Management Policy Review & Update</u> The Void Management Policy 2013 should be reviewed and updated to take account of current working practices following the 2018 restructure of the Housing Operations Service and the introduction is the new Integrated Housing Management System (IHMS) in October 2019. (Medium Risk)	The previous policy had fallen into abeyance, with the strategic direction for voids led by the Housing Improvement Board. Whereas this has led to significant improvements against the key tenets of the historic policy, given the extent of systemic and structural changes it would be beneficial to codify this within a revised policy. This will be developed with new tenant feedback and wider tenant consultation.		31-May-2021	31-May-2021	Edward Thomas	Helen Black; David Lynch; Edward Thomas
IAAP/080	<u>2. Re-let Standard</u> An updated draft of new Re-let Standards outlining standards require to be achieved before a void property is offered to new tenant should be submitted to the Housing Investment Board. (Medium Risk)	The current re-let standard had previously been considered by the Housing Improvement Board but not formally approved due to one minor element; similar to the Void Management Policy, it is timely for this to be revisited and revised subject to tenant consultation. As an interim measure, the existing operational standard will be remitted to the Housing Improvement Board to ensure oversight until the revision concludes.		31-May-2021	31-May-2021	Edward Thomas	Helen Black; David Lynch; Edward Thomas

*See analysis of missed deadlines – Section 4

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
154. Charging Policy - Non Residential Services (May 2019)	<p>Financial Assessments Not Located/Provided (High Risk) The Head of Service will issue an instruction to Integrated operational Managers on the requirement to undertake a Financial Assessment as part of the initial assessment of care and also that this should be reviewed annually. Evidence should also be retained to verify that this has been done.</p> <p>The HSCP SMT has agreed that an Extended Management Team session will be held around the operational responsibilities of social care staff.</p>	30-Jun-2019 30-Sep-2020	01-Apr-2021	<p>The request to commission a care package for any client group will only be considered by the Area Resource Groups when accompanied by a Financial Assessment with evidence of Income Maximisation being offered to the individual. This process is clearly set out in the Draft Charging Policy currently being finalised with a focus on Equalities Impact Assessment.</p> <p>The Coronavirus Act has allowed for a relaxation of a full social care assessment being undertaken (including financial assessment) as staff resource is under strain.</p> <p>As part of the workplan for consistent implementation of Eligibility Criteria from April 2021, plans are being developed to ensure financial assessments are being carried out and appropriately recorded.</p> <p>In September 2020 the IJB approved eligibility criteria for HSCP services. This has allowed progress to commence on the development of a single shared assessment with a view to initiating a pilot in the final quarter of this year with full implementation in April 2021. Closely aligned to this is a separate work stream in relation to Financial Assessments, a lead officer has been identified and a clear work plan has been developed to drive forward this work. The initial work undertaken in October/November 2020 is in relation to situational analysis, this will shape a clear improvement plan considering both cultural and systemic improvements which are required to ensure compliance.</p>
154. Charging Policy - Non Residential Services (May 2019)	<p>Evidence of Benefits (Medium Risk) The revised Charging Policy will stress that evidence must be provided and retained to allow for a robust financial assessment to be undertaken. If service user refuses then the full charge will be applied. This will be detailed within the financial assessment.</p> <p>IWorld access to be given to members of staff currently carrying out Financial Assessments for Residential Placements. Extending this will be considered where appropriate.</p>	30-Aug-2019 30-Sep-2020	01-Apr-2021	<p>The draft Charging Policy has placed more emphasis on the responsibility of the Service User/Representative that without evidence of income/benefits the full charge will be applied.</p> <p>As part of the workplan for consistent implementation of Eligibility Criteria from April 2021, plans are being developed to ensure financial assessments are being carried out and appropriately recorded.</p> <p>In September 2020 the IJB approved eligibility criteria for HSCP services. This has allowed progress to commence on the development of a single shared assessment with a view to initiating</p>

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
				a pilot in the final quarter of this year with full implementation in April 2021. Closely aligned to this is a separate work stream in relation to Financial Assessments, a lead officer has been identified and a clear work plan has been developed to drive forward this work. The initial work to be undertaken in October/November 2020 is in relation to situational analysis, this will shape a clear improvement plan considering both cultural and systemic improvements which are required to ensure compliance.
154. Charging Policy - Non Residential Services (May 2019)	<p>Charging Policy (Medium Risk)</p> <p>A Charging Policy Review Group has been established on 7th Jan with meetings scheduled for every 2 weeks until end of June. The group includes all Heads of Service, the CFO, some Integrated Ops Managers and social care accountant. The draft Terms of Reference were considered at the 2nd meeting and agreement was reached between HoS about seconding a social worker to support the process.</p> <p>The review will consider the impacts of new Carers Act and Free Personal Care for Under 65 as well as Self Directed Support duties. It will also address the current anomalies/inequities between service users and opportunities to maximise charging in the context of the council's Commercialisation Policy – but within COSLA Guidance. Personal care is defined in legislation. A simple "service user guide" to non-residential charges can be added to the website/leaflet for distribution.</p>	31-Aug-2019 30-Sep-2020	31-Mar-2021	<p>The impact of responding to the Covid-19 Pandemic has directed all levels of staff in Health and Social Care to support front line service delivery. This has resulted in a delay in finalising a number of outstanding actions including revised guidance on eligibility and self directed support assessments which impact on the review of the Charging Policy.</p> <p>Revised Charging Policy was drafted and originally on the HSCP Board Agenda for 23 Sept 20, however delayed given the continuing uncertainty around the re-start of Daycare Services. Also need to fit into WDC Committee cycle as the proposed change to Daycare charge back into component parts (transport, meals & activities) needs to be approved by full Council. Proposal would be to link in with 2021/22 Budget Setting Papers.</p>

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
165. CM2000 Functionality (February 2020)	<p>Compliance with Clocking in and out in the CM2000 system (Medium Risk)</p> <p>We have committed that back office staff will undertake live monitoring.</p> <p>We have written a "Reconciliation Standards" document for the admin team. It explains how they are to handle each Reconciliation scenario,</p> <p>We will work with HR to undertake formal action under the performance management policy for those staff who failed to log in and out of visits.</p>	30-Apr-2020 30-Nov-2020	31-Mar-2021	<p>Staff continue to undertake live monitoring. We are working with CM to address the issues around reconciliation because of the delay in the roll out of the new app on Carer mobile devices.</p> <p>In implementing the new app we have experienced delays as the majority of mobile phones require a certificate downloaded from a laptop in a council network, and as a result of limited footfall within offices in line with infection prevention and control this process is taking a considerable time. See below.</p>
165. CM2000 Functionality (February 2020)	<p>Compliance with Clocking in and out in the CM2000 system (Medium Risk)</p> <p>New app will be rolled out in next three months as tags for all clients will need to be re-programmed and training provided for front line Home Carers.</p>	30-Apr-2020 30-Nov-2020	31-Mar-2021	<p>60% of the workforce now have the new app. 55% of clients have had their tag re-programmed.</p> <p>We have discovered problems with a large number of devices. This has resulted in Home Carers having to come in for a face to face meeting with the team. Social distancing has made this exercise challenging. Each phone takes approximately 30 minutes to be re-programmed.</p> <p>By the end of March we would hope that all devices have been updated with the new application. Most HSCPs in GGC have shared that they are experiencing the same issues with upgrading carers' mobile devices.</p> <p>The timescales for completion have been extended for all affected HSCPs in recognition of the challenges faced.</p>

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
165. CM2000 Functionality (February 2020)	<p>Overtime Payment (Medium Risk) We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented by September 2020.</p> <p>In the meantime Admin will do cross checks against clocking in and out.</p> <p>A communication will be issued to all home care staff re compliance and claims for overtime.</p>	30-Nov-2020	31-Mar-2021	<p>Payroll report will be dependent on the full implementation of the upgraded system.</p> <p>Manual checks continue to undertaken in line with the audit recommendations.</p> <p>We have been asked by CM to be a pilot site for the new developments.</p>
165. CM2000 Functionality (February 2020)	<p>Implementation of additional CM2000 Functionality (Medium Risk) Mileage Wizard will be rolled out in next six months. This will depend on high compliance.</p>	30-Jun-2020 30-Nov-2020	31-Mar-2021	This has been held back as this action is dependent on the full implementation of the upgraded system and we hope to start using this functionality by March 2021.
165. CM2000 Functionality (February 2020)	<p>Implementation of additional CM2000 Functionality (Medium Risk) We are working with CM2000 to develop a payroll report which will be used as the basis for staff payment. This report will be implemented for testing by September 2020.</p>	30-Nov-2020 31-Jan-2021	31-Mar-2021	<p>Payroll report will be dependent on the full implementation of the upgraded system.</p> <p>We have been asked by CM to be a pilot site for the new developments.</p>
171. Social Work - Case Management (Report Issued August 2020)	<p>Children's Services – Unallocated Cases (Medium Risk) Weekly allocation meetings can include brief action note of decisions around allocation/non-allocation, process of review etc. or note on Care First for each case noting outcome of allocation meeting.</p>	31-Aug-2020 31-Dec-2020	28-Feb-2021	<p>Target due date not met due to additional priorities/workload issues arising from Coronavirus pandemic.</p> <p>Agreed process as noted above is a Care First process however has been created such that a report can be pulled to demonstrate allocation/no allocation decision making, trends and priorities. The decision making will be recorded as described within brief guidance for consistency in order that analysis is set against consistent parameters. Report will therefore note individual decision making, trends across the service. This will be produced monthly from end of February.</p>
171. Social Work - Case Management (Report Issued August 2020)	<p>Children's Services – Recording of supervision meetings (Low Risk) Managers can revisit supervision guidance to support consistent feedback and to improve supervision records and agreed tasks.</p>	31-Aug-2020 31-Dec-2020	30-Apr-2021	<p>HSCP supervision policy is being reviewed by SMT to reflect professional and integrated teams.</p> <p>Reflection on the factors required to maintain robust supervision arrangements as we progress the integration agenda in order to</p>

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
	Supervision notes to be held securely to provide record of decisions and actions. Managers to review supervision arrangements and frequency with direct reports and their teams to ensure they meet requirements of service and policy.			<p>provide assurance to the Senior Management Team that supervisory arrangements support professional governance requirements and support the delivery of safe effective person centred care. Recommend ESMT to conduct Training Needs Analysis – around supervisee and supervisor education and learning to support implementation ongoing of effective supervision A supervision policy a for Social Workers within West Dunbartonshire HSCP to be developed Consider future audit of the implementation of supervision and evaluation of this on impact on outcomes for service users SMT to review management/ leadership ensure structure that reflects statutory duties to ensure appropriate capacity to provide professional supervision to social work staff and managers.</p> <p>Management exception report to be developed for cases with no activity recorded to ensure cases are closed when appropriate. This will be discussed with HSCP information team to ensure this is part of routine management information reports.</p> <p>Currently awaiting updated supervision policy to progress this action to completion.</p>
171. Social Work - Case Management (Report Issued August 2020)	<p>Children's Services – Performance management information (Low Risk) Team Leads and Senior Social Workers to review management information reports and check recording processes to ensure accuracy.</p> <p>Data cleanse to ensure accurate caseloads is being forward by a sub group of the wider team with Information Team colleagues.</p> <p>Fieldwork managers to review how management reports can support allocation processes and case management planning across teams.</p>	31-Aug-2020	31-Mar-2021	<p>Caseload reviews are undertaken by managers to identify cases for closure. Additional formal processes to be developed as part of redesign. This will be concluded by March 2021 in line with redesign planning and to allow full commencement of redesign project in April 2021.</p>
171. Social Work - Case Management (Report Issued August 2020)	<p>Children's Services - Enhancement to Performance Management Information (Low Risk) As part of improving management reports this</p>	31-Aug-2020 31-Dec-2020	31-Mar-2021	<p>Review of performance management information notified to Public Protection Chief Officers Group to enhance performance and review framework report. This is not quite complete as some CareFirst complications regarding aspects of CP work were not</p>

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Agreed Action	Original Due Date	Revised Date	Management Comments
	can be included for further discussion around Care First functionality and managing workloads.			<p>pulling through. This is being resolved however – relates to the additional provision of reports against CP Case Discussions and Vulnerable Young Person Case Discussions.</p> <p>Weekly activity reports developed to inform Scottish Government Covid 19 dataset; positive developments here to be included in wider reporting functionality of Care First system. This is now complete.</p> <p>Update of data requires to include National child protection minimum data set and refresh of current Performance and Review Framework (PARF) data set. Lead officer for Child Protection commenced in post 11th January. She will lead/complete this aspect.</p>
171. Social Work - Case Management (Report Issued August 2020)	Community Care and Health Services - Care home placement reviews (Medium Risk) A review of scrutiny and support to independent sector care homes will be completed, to ensure appropriate level of resources are in place to monitor quality of care.	30-Sep-2020	28-Feb-2021	Additional resource has been received from Scottish Government to support the Chief Social Worker's role in care home assurance. This funding is being used to recruit a Social Work Assistant. Recruitment is now underway and will supplement the current arrangements for monitoring the quality of care for individual's living in Independent sector care homes.
171. Social Work - Case Management (Report Issued August 2020)	Children's Services - Peer review of case files (Medium Risk) Management Team are reviewing peer review processes as part of case file audit and monitoring and how this can inform service redesign. Work has commenced as part of the PACE workstream in respect of children looked after at home. Intention to scale up when capacity is increased.	31-Oct-2020	31-Mar-2021	Peer review implemented at the 18 month stage for home supervision as part of PACE but Covid has prevented this being further developed. It is therefore now part of the service recovery plan.
171. Social Work - Case Management (Report Issued August 2020)	Community Health and Care Services – Supervision (Medium Risk) A review of the supervision policy will be carried out, including consideration of records distribution and storage.	31-Dec-2020	31-Mar-2021	The Head of Mental Health, Learning Disabilities and Addictions is leading on the development of a supervision policy and standards for case reporting, this work will capture the retention of minutes and will be complete by 31 March 2021.

**REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLANS
SUMMARY OF ACTIONS BY AUDIT YEAR**

SECTION 5

Status at 31 January 2021

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			H	M	L
2018/2019	79	76	1	2	0
2019/2020	67	38	3	22	4
Total	146	114	4	24	4

Audit Year	No of Agreed Actions	No of actions complete	Current actions by Grade		
			R	A	G
2020/2021	11	4	0	2	5
Total	11	4	0	2	5*

* Green actions are within the Council's risk appetite and are therefore not included in Audit Committee reports.

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 10 March 2021**

Subject: Internal Audit Plan 2021/22**1. Purpose**

- 1.1** The purpose of this report is to advise members of the planned programme of work for the Internal Audit Section for the year 2021/22.

2. Recommendations

- 2.1** It is recommended that the Committee approve the Internal Audit Plan for 2021/22.

3. Background

- 3.1** The Public Sector Internal Audit Standards include the requirement for the Chief Internal Auditor to prepare a risk-based plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.

4. Main Issues

- 4.1** The audit universe contains all areas that have been identified for review and an assessment has been undertaken of the risk relating to each area based on a number of criteria. Account has also been taken of the risks identified in the Council's risk registers and risk identified by external scrutiny bodies through the Local Scrutiny Plan.
- 4.2** It is intended that audit work will be focused on areas of greatest risk taking into account management's own view of risk and meetings have been held with Chief Officers as appropriate. Each area has been assessed against a broad range of risk criteria and a risk score has been generated based on probability factors such as current control environment, results of last audit and time since last audit.
- 4.3** The audit plan also includes the carry forward of some audits from 20/21 which have been deferred due to service redesigns, staff absence and other factors. Input has been provided during 20/21 to service redesigns as appropriate.
- 4.4** The Audit Plan also includes the activity of the Corporate Fraud team and includes an allocation of days to provide the Internal Audit Service to the WD Integration Joint Board, the WD Leisure Trust and the Valuation Joint Board.

4.5 Internal Audit monitors delivery of the plan continuously during the year using a number of performance indicators. Progress is reported to members on a regular basis.

4.6 Outlined below are the current risk factors influencing our proposed audit coverage for 2021-22:

- Learning Disabilities Services provide a range of support services to adults with learning disabilities. A number of contracts are in place to implement these services and Internal Audit will review the adequacy and effectiveness of the financial monitoring of these contracts;
- Building Services deliver a wide range of services for local communities and customers from depots in Clydebank and Dumbarton to providing a dedicated repairs and maintenance service. Internal Audit will review procedures in place to ensure services provided are effective;
- The Integrated Housing Management System has a number of modules including inventory management. During 2020/21 routine inventory checks did not take place and Internal Audit resource was diverted to supporting stock checks carried out in the final quarter of the financial year. For 21/22 Internal Audit will review the procedures which are in place to ensure that inventory management is adequate and effective;
- As part of the annual audit planning process, corporate procurement is a key risk area that is reviewed each year. For 2021-22 Internal Audit will carry out an audit of supplier management ensure compliance with relevant policies and procedures;
- Clients who require Council funding of their costs within care homes are required to complete financial assessments. It is therefore important to gather accurate and up to date information when calculating the contributions due from clients and the Council. The financial assessment process was subject to a process redesign in 2020/21 to align with the new eligibility criteria. Internal Audit will therefore review the adequacy and effectiveness of the new financial assessment process;
- Occupational Therapy is an important service provided by the HSCP and targets have been set in relation to waiting times for referrals. As a result of COVID-19 this audit was deferred in 2020/21 and therefore Internal Audit will review the adequacy and effectiveness of arrangements in place to ensure targets are achieved during 2021/22;
- A number of key projects are underway within the Council. Internal Audit will carry out a review of the project management arrangements that are in place to ensure these are adequate and effective;
- Overtime is used as a means to manage fluctuations in workloads and staff resources to ensure seamless delivery of services. Internal Audit will

review the adequacy and effectiveness of control procedures in place to manage overtime;

- The council has a vehicle tracking system for fleet vehicles which is a powerful management tool that can provide services with information in relation to vehicle utilisation and management of relevant policies and legal requirements. Internal Audit will carry out a review of the adequacy and effectiveness of the governance, risk management and control procedures surrounding the vehicle tracking system;
- Employees can incur expenditure whilst on official duties away from their normal workplace. The Council has a travel and subsistence policy which sets out the framework in relation to allowable expenditure. Internal Audit will review the adequacy and effectiveness of processes surrounding the management and administration of expense claims incurred by employees; and
- In relation to Covid-19 Recovery, an allocation of staff days has been included within the 21/22 plan which will allow Internal Audit to provide advice and support to services as the Council progresses with recovery planning.

4.6 The draft Audit Strategy and Plan for 2021-22 is included at Appendix 1. Recruitment is underway to fill the two 0.5 FTE vacant posts within the audit team to ensure there are sufficient resources to deliver the planned programme of audit assignments detailed. There are no significant threats to the independence of the internal audit activity, such as inappropriate scope or resource limitations. The Plan contains contingency provision that will be utilised during the year in response to unforeseen work demands that may arise e.g. special investigations and provision of ad hoc advice.

4.7 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

5. Personnel Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 The Plan has been constructed taking cognisance of the risks associated with major systems. Consultation with relevant Chief Officers has been carried out

to ensure that risks associated with delivering the Council's objectives have been considered.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

Stephen West
Chief Officer - Resources
Date: 10 March 2021

Person to contact Andi Priestman, Shared Service Manager – Audit & Fraud
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Appendix 1: Draft Internal Audit Strategy and Plan 2021/22

Background Papers: None

Wards Affected: All wards

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022**1. Introduction**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) set out the requirement for the Shared Service Manager – Audit & Fraud to prepare a risk-based audit plan to determine the priorities of the internal audit activity, consistent with the organisation's goals.
- 1.2 The Shared Service Manager – Audit & Fraud must review and adjust the plan as necessary in response to changes in the organisation's business, risks, operations and priorities.
- 1.3 The audit plan must incorporate or be linked to a strategic or high-level statement of how the Internal Audit Service will be delivered and developed in accordance with the Internal Audit Charter and how it links to the organisational objectives and priorities.
- 1.4 The strategy shall be reviewed on an annual basis as part of the audit planning process.

2. Internal Audit Objectives

- 2.1 The definition of internal auditing is contained within the PSIAS as follows:

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

- 2.2 The primary aim of the internal audit service is to provide assurance services which requires the Chief Internal Auditor to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 2.3 The internal audit service also provides advisory services, generally at the request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.
- 2.4 The internal audit service supports the Chief Financial Officer in his role as Section 95 Officer.

3. Risk Assessment and Audit Planning

- 3.1 The internal audit approach to annual audit planning is risk-based and all areas which may be subject to audit review are contained within an Audit Universe which is subject to formal review, at least annually.
- 3.2 The risk scoring system is maintained on a real-time basis and is altered as circumstances change. Regular reviews of the risk scores allow Internal Audit to address the changing risk exposure of the organisation more effectively and ensure audit effort is focused on those areas identified as higher risk.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022

- 3.3 The Audit Universe is risk assessed each year to determine the Annual Audit Plan and ensure that suitable audit time and resources are devoted to reviewing the more significant areas of risk. Each area within the Audit Universe is assessed for impact against a number of broad risk categories as follows:

Strategy	Risks associated with the setting and achievement of strategic objectives.
Economy	Risks associated with the economy in which West Dunbartonshire Council operates.
Reputation	Risks associated with threats to West Dunbartonshire Council's name and standing in the sector.
Customer	Risks associated with customer relationships.
Legal/Regulatory	Risks associated with the requirement to comply with a wide range of statute.
Financial	Risks associated with financial loss or inefficiency.
Technology	Risks associated with application systems, their integrity, security and development.
Management Information	Risks associated with the provision of information for decision-making purposes.
Human Resources	Risks associated with people, eg recruitment, succession, development, motivation and morale etc.
Operations	Risks associated with the business operating process.
Business Continuity/Resilience	Risks associated with disaster scenarios which would threaten the continuing operation of West Dunbartonshire Council.
Security	Risks associated with security over customer and West Dunbartonshire Council's assets.
Stakeholder	Risks associated with management of stakeholder expectations (eg Government or local communities)
Fraud	Risks associated with asset misappropriation, corruption and financial statement fraud.

- 3.4 Account has also been taken of the risks identified in the Council's Risk Registers and risks identified by external scrutiny bodies through the Local Scrutiny Plan.
- 3.5 There will be regular ongoing discussion with External Audit to ensure respective audit plans are reviewed as circumstances change in order to minimise duplication of effort and maximise audit coverage for the Council.

4 Service Delivery

- 4.1 The provision of the internal audit service is through a directly employed in-house team. The Shared Service Manager – Audit & Fraud is provided through a shared service arrangement with Inverclyde Council.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022

- 4.2 In relation to the total staff days allocated to the 2021-2022 plan, each member of staff completes a resource allocation spreadsheet for the year which is split between annual leave, public holidays, training days, general administration and operational plan days. This spreadsheet is reviewed and updated each period by each member of staff against time charged to timesheets.

The combined operational plan is 1,215 days which will be resourced as follows:

Team Member	Plan Days
Auditor	185
Lead Auditor (0.5 FTE) (vacant) *	70
Auditor (0.5 FTE) (vacant) *	70
Auditor (0.5 FTE)	95
Audit Assistant	160
Section Lead – Corporate Fraud	150
Corporate Fraud Officer	185
Corporate Fraud Officer (vacant)	150
Intelligence Officer	150
Total Plan Days	1,215

* Recruitment for the 2 x 0.5 FTE audit posts is currently underway. It is anticipated that these post will be filled by May 2021 and the resource allocation has been adjusted accordingly. Due to the Covid-19 Pandemic, recruitment for the Corporate Fraud Officer post was deferred as home visits and interviews under caution were halted. It is anticipated we will start the recruitment process as lockdown eases and those aspects of the team's work are restarted, subject to relevant protocols being in place.

The Shared Service Manager – Audit & Fraud does not directly carry out the assignments included in the annual audit plan but provides the quality review and delivery oversight of the overall plan. As such, no direct time is included within the plan. Where there are any resource issues which may impact on delivery of the plan, this will be reported to Audit Committee at the earliest opportunity.

- 4.3 Given the range and complexity of areas to be reviewed it is important that suitable, qualified, experienced and trained individuals are appointed to internal audit positions. The PSIAS requires that the Chief Internal Auditor must hold a professional qualification such as CMIIA (Chartered Internal Auditor), CCAB or equivalent and be suitably experienced. The internal auditor posts must also be CMIIA/CCAB or equivalent with previous audit experience.
- 4.4 Internal audit staff members identify training needs as part of an appraisal process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their development. All training undertaken is recorded in a personal training record for CPD purposes.
- 4.5 Internal audit staff members require to conform to the Code of Ethics of the professional body of which they are members and to the Code of Ethics included within the PSIAS. An annual declaration is undertaken by staff in relation to specific aspects of the Code.
- 4.6 Following each review, audit reports are issued in draft format to agree the accuracy of findings and agree risk mitigations. Copies of final audit reports are issued to the relevant Chief Officer and Service Manager responsible for implementing the agreed action plan. A copy of each final audit report is also provided to External Audit.

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022

- 4.7 The overall opinion of each audit report feeds into the Internal Audit Annual Report and Assurance Statement which is presented to the Audit Committee and is used by the Chief Financial Officer in the preparation of the Annual Governance Statement.

5 Proposed Audit Coverage 2021-2022

- 5.1 The proposed audit coverage is set out in the table below. This includes a range of risk based reviews, limited scope financial reviews and regularity audits.
- 5.2 The Plan contains a contingency provision that will be utilised during the year in response to unforeseen work demands that arise eg special investigations and provision of ad hoc advice.

Audit Area	Strategic Area	Risk Score	Staff Days
Risk-Based Audit Reviews			
IHMS – Inventory Management (c/f)	Supply, Distribution and Property	9940	30
Learning Disability Services – Financial Monitoring of Contracts (c/f)	HSCP	8260	30
Building Services	Supply, Distribution and Property	8050	30
Occupational Therapy Waiting Times (c/f)	HSCP	7788	30
Financial Assessment Process (c/f)	HSCP	7752	30
Corporate Procurement – Supplier Management	Corporate	6844	30
Overtime	Corporate	6844	40
Vehicle Tracking System	Corporate	6608	30
Project Management Arrangements	Regulatory and Regeneration	4956	30
Employee Expenses	Corporate	4473	30
Total			310
Limited Scope Financial System Reviews			
Debtors	Resources	5264	25
Total			25
Corporate Governance Reviews			
Annual Governance Statement (2020/2021)	Corporate	-	15
Total			15
Other Work			
Audit follow up	Corporate	-	40
National Fraud Initiative	Corporate	-	140
Fraud Referrals including Joint Working	Corporate	-	445
Liaison with DWP	-	-	10
Fraud Awareness Training	Corporate	-	15
IJB – Internal Audit Service	-	-	40
VJB – Internal Audit Service	-	-	20
Leisure Trust – Internal Audit Service	-	-	30
Covid-19 Recovery Assurance Work	Corporate	-	30
Contingency	-	-	35
Completion of 2020-2021 Audit Plan	-	-	65
Total			865
Total Staff Days			
			1,215

INTERNAL AUDIT ANNUAL STRATEGY AND PLAN 2021-2022

6 Quality and Performance

- 6.1 The PSIAS require each internal audit service to maintain an ongoing quality assurance and improvement programme based on an annual self-assessment against the Standards, supplemented at least every five years by a full independent external assessment.
- 6.2 In addition, the performance of Internal Audit continues to be measured against key service targets focussing on quality, efficiency and effectiveness. For 2021-2022 these have been set as follows:

Measure	Description	Target
1. Final Report	Percentage of final reports issued within 2 weeks of draft report.	100%
2. Draft Report	Percentage of draft reports issued within 3 weeks of completion of fieldwork.	90%
3. Audit Plan Delivery	Percentage of audits completed v planned.	85%
4. Audit Budget	Percentage of audits completed within budgeted days.	80%
5. Audit Recommendations	Percentage of audit recommendations agreed.	90%
6. Action Plan Follow Up	Percentage of action plans followed up – Internal and External Audit.	100%
7. Customer Feedback	Percentage of respondents who rated the overall quality of internal audit as satisfactory or above.	100%
8. NFI recommended matches	Percentage of National Fraud Initiative high risk matches investigated within timescales.	100%
9. NFI other matches	Percentage of National Fraud Initiative other matches investigated within timescales.	90%
10. DWP liaison	Percentage of cases referred to/ actioned for DWP within DWP timescales.	100%
11. Staff compliance with CPD	Number of training hours undertaken to support CPD	100
12. Management engagement	Number of meetings with CMT and senior management as appropriate	1 per quarter

- 6.3 Actual performance against targets will be included in the Internal Audit Annual Assurance Report for 2021-2022.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 10 March 2021

**Subject: Public Interest Disclosures and other Internal Audit Investigations
1 July to 31 December 2020**

1. Purpose

- 1.1** The purpose of this report is to advise Committee of the outcome of investigations into allegations and disclosures in line with public interest disclosure and business irregularities policies received by Internal Audit between 1 July to 31 December 2020.

2. Recommendations

- 2.1** It is recommended that Members note the content of this report.

3. Background

- 3.1** A disclosure in the public interest is where a concern is raised by a Council employee about a danger or illegality that has a public interest aspect to it. A confidential reporting facility is managed by Internal Audit as part of the WDC Public Interest Disclosure Policy. Internal Audit maintains a central record of all concerns raised under the Public Interest Disclosure Policy. All such disclosures are investigated by Internal Audit, including liaising with Services and HR as appropriate
- 3.2** Members of the public can also contact Internal Audit to raise issues of concern and such matters are investigated as appropriate, although they are not regarded as public interest disclosures in terms of legislation.

4. Main Issues

Public Interest Disclosure Cases

- 4.1** There were 4 outstanding cases reported in the previous report submitted to committee on 16 September 2020, now progressed as detailed below:

Ref	Date Received	Detail	Status
23/20	12/10/19	Allegation that materials are being misappropriated by a member of staff and sold on.	Investigation complete. Draft report being prepared for management with recommendations for improvement.
30/20	5/2/20	Allegation that materials	Linked investigation – 23/20.

		are being misappropriated by a member of staff and sold on.	As above
31/20	25/2/20	Allegation that employee is off sick but is posting on social media about holidays and socialising.	Referred to the Service and an investigation has now been completed. No further action requires to be taken.
32/20	30/3/20	Allegations that employee is misusing council vehicle for personal use. Employee was also observed loading black bags into council vehicle at home address but destination was unknown.	Unable to substantiate misuse of council vehicle due to lack of tracking information as device was faulty. Management confirmed that in relation to the black bags that the employee was allowed to dispose of personal/home waste in the yard skip during lockdown. Report issued with recommendations to management to prevent the risk of similar allegations arising in the future. These will be followed up by Internal Audit to ensure they have been implemented.

4.2 There were 4 disclosures received during the period 1 July to 31 December 2020 as follows:

Ref	Date Received	Detail	Status
04/21	31/8/20	Allegation that employees within service are using vehicles for personal use.	Ongoing investigation.
05/21	8/10/20	Allegation that a child is collected from school in a WDC vehicle.	Ongoing investigation.
06/21	18/11/20	Allegation of lack of social distancing amongst adults at Football grounds.	Referred to Leisure Trust.
07/21	1/12/20	Allegation that three Council employees are not abiding by Government Guidelines on Social Distancing while carrying out household waste collection.	Referred to Service.

4.3 Activity relating to public interest disclosure for recent reporting periods is as follows:

Period	No. of Cases
1 st January 2016 to 30 th June 2016	4
1 st July 2016 to 31 st December 2016	6
1 st January 2017 to 30 th June 2017	1
1 st July 2017 to 31 st December 2017	7
1 st January 2018 to 30 th June 2018	2
1 st July 2018 to 31 st December 2018	3
1 st January 2019 to 30 th June 2019	5
1 st July 2019 to 30 th June 2020	8
1 st July 2020 to 31 st December 2020	4

Other investigations

4.4 There was one case recorded as outstanding in the previous report, submitted to committee on 16 September 2020, which has been progressed as detailed below:

Ref	Date Received	Detail	Status
25/20	22/11/19	Allegation of theft of income.	Ongoing investigation.

4.5 A total of 2 cases were received by Internal Audit during the period 1 July to 31 December 2020 as follows:

Ref	Date Received	Detail	Status
03/21	14/7/20	Banking irregularity highlighted by the relationship manager of WDC bank account.	Ongoing investigation.
08/21	11/12/20	Anonymous complaint about organisational restructure.	Referred to senior management as an operational matter. Briefings for Elected Members and Employees have already been undertaken. No further action required.

4.6 Activity relating to other investigation cases for recent reporting periods is as follows:

Period	No. of Cases
1 st January 2017 to 30 th June 2017	3
1 st July 2017 to 31 st December 2017	5

1 st January 2018 to 30 th June 2018	5
1 st July 2018 to 31 st December 2018	4
1 st January 2019 to 30 th June 2019	14
1 st July 2019 to 30 th June 2020	8
1 st July 2020 to 31 st December 2020	2

5. People Implications

5.1 There are no personnel implications with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications with this report.

7. Risk Analysis

7.1 There are risks to the Council in financial, legal, operational and reputational terms of not providing a service to enable a disclosure in the public interest and to ensure that all public interest disclosure and other concerns raised with Internal Audit are properly investigated.

8. Equalities Impact Assessment (EIA)

8.1 There is no requirement to undertake an equality impact screening.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 The Public Interest Disclosure Policy and Business Irregularity Procedures contribute to the Council's strategic priorities by ensuring that early warnings of malpractice may mitigate the extent of financial losses to the Council, contribute to better asset management by utilising employees to manage risks to the organisation's reputation and support fit for purpose services through the continuation and promotion of robust employment practice.

.....
Stephen West
Chief Officer - Resources
Date: 10 March 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
Telephone: 01389-737436
Email: andi.priestman@west-dunbarton.gov.uk

Appendix: None

Background Papers: Public Interest Disclosure Policy agreed by the
Corporate Services Committee on 13 August 2014;
Business Irregularity Procedures

Wards Affected: All

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 10 March 2021**

Subject: National Fraud Initiative 2020/21**1. Purpose**

- 1.1** The purpose of this report is to update Members on the current position with regard to the National Fraud Initiative in Scotland 2020/2021 Exercise.

2. Recommendations

- 2.1** It is recommended that the Audit Committee notes the contents of this report and agrees that further updates are provided to Audit Committee as part of the Internal Audit Progress report outlining the Council's progress with the 2020-2021 exercise.

3. Background

- 3.1** The NFI in Scotland is now well established with this being the 8th biennial exercise since 2006/07. The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. The NFI remains the largest national fraud detection and prevention scheme that can provide data matches within and between public bodies. Its key features are that it:
- acts as a deterrent to potential fraudsters.
 - identifies errors and fraud thus enabling appropriate action to recover money and/or press criminal charges.
 - can provide assurances, similar to a regular health check, that systems are operating well and can also identify where improvements are required.
 - operates across boundaries between public bodies in different sectors and countries.
 - represents value for money in terms of the efficiencies deliverable through centralised data processing and identifying targeted high priority matches.
- 3.2** The NFI works by using data matching to compare a range of information held on bodies' systems to identify potential inconsistencies or circumstances that could indicate fraud or error which are called 'matches'. A match does not automatically mean that there is a fraud or error and investigations are required to enable the correct conclusion to be drawn for each match. Bodies investigate these and record on a secure web application appropriate outcomes based on their investigations.
- 3.3** Public bodies spend billions of pounds of taxpayers' money for the benefit of the Scottish population, providing services and financial assistance to all

citizens including those that need them the most. Systems underpinning public spending can be complex and errors can happen. Unfortunately, there are also some individuals who seek to exploit the systems and fraudulently obtain services and benefits to which they are not entitled.

3.4 Data sharing enables bodies to match data internally and externally. Technology provides an efficient way to connect discrete data sets and can therefore limit the gaps available for fraudsters to manipulate and can help identify those that have. It also supports bodies to identify and implement process and control improvements that should reduce future errors and the costs of correcting these errors.

3.5 Audit Scotland, working closely with public bodies, external auditors and the Cabinet Office, has completed another major data sharing and matching exercise. The National Fraud Initiative (NFI) exercises make a significant contribution to the security and transparency of public sector finances by confirming that services are provided to the correct people and by reducing fraud and error.

4. Main Issues

4.1 For 2020/21, a number of data matches were released on 31 January 2021. West Dunbartonshire Council has received 5,837 matches which are set out in Appendix 1. There are further matches relating to business grants which will be received by 31 March 2021.

4.2 The 2020/21 NFI exercise will be monitored by Audit & Fraud as part of the 2020/21 and 2021/22 Annual Audit Plans. Training and support will be provided to Services responsible for investigating the matches and an update on progress will be provided on a regular basis to Audit Committee.

5. Personnel Implications

5.1 There are no personnel issues with this report.

6. Financial and Procurement Implications

6.1 There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

7.1 The NFI enables public bodies to take advantage of computer data matching techniques to detect fraud and error. This can lead to process risks being identified during the investigation of matches and internal controls being strengthened to reduce the risk of fraud and error recurring in the future and improve the Council's control environment.

8. Equalities Impact Assessment (EIA)

8.1 There are no issues.

9. Consultation

9.1 This report has been subject to consultation with appropriate Chief Officers.

10. Strategic Assessment

10.1 This report relates to all five of the Council's Strategic Priorities.

Stephen West
Chief Officer - Resources
Date: 10 March 2021


























































































Person to contact	Andi Priestman, Shared Service Manager – Audit & Fraud Telephone: 01389-737436 Email: andi.priestman@west-dunbarton.gov.uk
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Appendix 1:	NFI 20/21 Exercise - Matches
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
































































Background Papers:	None
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Wards Affected:	All wards
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NFI 2020/2021 Summary of Matches

ID ▲	REPORT TITLE	TOTAL ALL	STATUS	OUTCOME
2	  Housing Benefit Claimants to Student Loans	23	No Comments	£0.00
26	  Housing Benefit Claimants to Housing Benefit Claimants	2	No Comments	£0.00
27	  Housing Benefit Claimants to Housing Benefit Claimants	1	No Comments	£0.00
28.1	   Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	3	No Comments	£0.00
29.1	   Housing Benefit Claimants to Housing Benefit Claimants - Phone Number	1	No Comments	£0.00
30	  Housing Benefit Claimants to Housing Tenants	28	No Comments	£0.00
32	  Housing Benefit Claimants to Housing Tenants	12	No Comments	£0.00
32.1	   Housing Benefit Claimants to Housing Tenants - Phone Number	8	No Comments	£0.00
47.1	  Housing Benefit Claimants to Taxi Drivers	5	No Comments	£0.00
47.2	  Housing Benefit Claimants to Taxi Drivers	5	No Comments	£0.00
47.4	  Housing Benefit Claimants to Taxi Drivers	1	No Comments	£0.00
49.1	  Housing Benefit Claimants to DWP Deceased	26	No Comments	£0.00
65	  Payroll to Payroll	3	No Comments	£0.00
66	  Payroll to Payroll	66	No Comments	£0.00
67.1	   Payroll to Payroll - Phone Number	4	No Comments	£0.00
67.2	  Payroll to Payroll - Email Address	1	No Comments	£0.00
68.1	   Payroll to Payroll - Phone Number	8	No Comments	£0.00
78	  Payroll to Pensions	7	No Comments	£0.00
91	  Housing Benefit Claimants to Waiting List	12	No Comments	£0.00
100	  Housing Tenants to Housing Tenants	65	No Comments	£0.00
101	  Housing Tenants to Housing Tenants	2	No Comments	£0.00
102	  Housing Tenants to Housing Tenants	109	No Comments	£0.00
102.2	   Housing Tenants to Housing Tenants - Phone Number	125	No Comments	£0.00
102.3	  Housing Tenants to Housing Tenants - Email Address	1	No Comments	£0.00
103	  Housing Tenants to Housing Tenants	8	No Comments	£0.00
103.2	   Housing Tenants to Housing Tenants - Phone Number	9	No Comments	£0.00
103.3	  Housing Tenants to Housing Tenants - Email Address	2	No Comments	£0.00
111	  Housing Tenants to Housing Benefit Claimants	6	No Comments	£0.00
113	  Housing Tenants to Housing Benefit Claimants	11	No Comments	£0.00
113.2	   Housing Tenants to Housing Benefit Claimants - Phone Number	17	No Comments	£0.00
120	 Housing Tenants to DWP deceased	190	No Comments	£0.00
131	  Housing Tenants to Waiting List	31	No Comments	£0.00
133	  Housing Tenants to Waiting List	17	No Comments	£0.00
170	  Blue Badge Parking Permit to Blue Badge Parking Permit	2	No Comments	£0.00
172.1	  Blue Badge Parking Permit to DWP Deceased	242	 Opened	£0.00
172.7	   Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	8	No Comments	£0.00
172.8	   Blue Badge Parking Permit to Blue Badge Parking Permit - Phone Number	6	No Comments	£0.00
172.9	  Blue Badge Parking Permit to Blue Badge Parking Permit - Email Address	18	No Comments	£0.00
232	  Waiting List to Housing Tenants	580	No Comments	£0.00
233	  Waiting List to Housing Tenants	21	No Comments	£0.00

NFI 2020/2021 Summary of Matches

242	  Waiting List to Housing Benefit Claimants	189	No Comments	£0.00
243	  Waiting List to Housing Benefit Claimants	26	No Comments	£0.00
257	  Waiting List to Waiting List	2	No Comments	£0.00
258	  Waiting List to Waiting List	102	No Comments	£0.00
259	  Waiting List to Waiting List	71	No Comments	£0.00
261	 Waiting List to DWP Deceased	163	No Comments	£0.00
435	  Council Tax Reduction Scheme to Payroll	62	No Comments	£0.00
436	  Council Tax Reduction Scheme to Payroll	28	No Comments	£0.00
436.1	  Council Tax Reduction Scheme to Pensions	490	No Comments	£0.00
438	  Council Tax Reduction Scheme to Payroll	1	No Comments	£0.00
439	  Council Tax Reduction Scheme to Payroll	18	No Comments	£0.00
440	  Council Tax Reduction Scheme to Payroll	25	No Comments	£0.00
440.1	  Council Tax Reduction Scheme to Pensions	40	No Comments	£0.00
445	  Council Tax Reduction Scheme to Council Tax Reduction Scheme	6	No Comments	£0.00
446	  Council Tax Reduction Scheme to Council Tax Reduction Scheme	7	No Comments	£0.00
449	  Council Tax Reduction Scheme to Housing Tenants	66	No Comments	£0.00
450	  Council Tax Reduction Scheme to Housing Tenants	3	No Comments	£0.00
451	  Council Tax Reduction Scheme to Housing Tenants	8	No Comments	£0.00
459.1	  Council Tax Reduction Scheme to Taxi Drivers	26	No Comments	£0.00
459.2	  Council Tax Reduction Scheme to Taxi Drivers	15	No Comments	£0.00
459.4	  Council Tax Reduction Scheme to Taxi Drivers	2	No Comments	£0.00
459.6	  Council Tax Reduction Scheme to Taxi Drivers	1	No Comments	£0.00
468	  Housing Tenants to Council Tax Reduction Scheme	9	No Comments	£0.00
469	  Housing Tenants to Council Tax Reduction Scheme	12	No Comments	£0.00
476	  Council Tax Reduction Scheme to Housing Benefit Claimants	29	No Comments	£0.00
477	  Council Tax Reduction Scheme to Housing Benefit Claimants	8	No Comments	£0.00
480	  Housing Benefit Claimants to Council Tax Reduction Scheme	2	No Comments	£0.00
482	 Council Tax Reduction Scheme to DWP deceased	42	No Comments	£0.00
701	  Duplicate creditors by creditor name	84	No Comments	£0.00
702	  Duplicate creditors by address detail	108	No Comments	£0.00
703	  Duplicate creditors by bank account number	53	No Comments	£0.00
707	  Duplicate records by reference, amount and creditor reference	284	No Comments	£0.00
708	  Duplicate records by amount and creditor reference	1577	No Comments	£0.00
710	  Duplicate records by name, invoice number and amount but different creditor reference	6	No Comments	£0.00
711	  Duplicate records by invoice number and amount but different creditor reference and name	551	No Comments	£0.00
712	  Duplicate records by postcode, invoice date and amount but different creditor reference and invoice number	1	No Comments	£0.00
713	  Duplicate records by postcode, invoice amount but different creditor reference and invoice number and date	8	No Comments	£0.00
1536	  Housing Tenants to State Benefits	14	No Comments	£0.00
1538	  Housing Tenants to State Benefits	12	No Comments	£0.00
9999	 Multiple occurrence report	455	No Comments	£0.00
TOTAL		5,837		£0.00

WEST DUNBARTONSHIRE COUNCIL**Report by Chief Officer - Resources****Audit Committee: 10 March 2021**

Subject: Audit Scotland - COVID-19 Guide for Audit and Risk Committees**1. Purpose**

- 1.1** To update the Audit Committee on sub-group activity in relation to the Audit Scotland COVID-19 Guide for Audit and Risk Committees.

2. Recommendations

- 2.1** It is recommended that Members:

- Note the progress by the Sub-Group; and
- Agree that an update is provided to the next meeting of the Audit Committee.

3. Background

- 3.1** In August 2020, Audit Scotland published a COVID-19 Guide for Audit and Risk Committees guidance on key issues for consideration by audit and risk committees during the Covid-19 pandemic: "Guide for Audit and Risk Committees" which was presented to Audit Committee in November 2020.
- 3.2** At the November 2020 meeting it was agreed to form a sub-group from Members of the Audit Committee to consider the questions posed in the guidance. The work of the sub-group would be supported by the Shared Service Manager – Audit & Fraud and a further report would be presented to the Audit Committee in March 2021 outlining the current position.

4. Main Issues

- 4.1** A baseline position has been co-ordinated by the Shared Service Manager – Audit & Fraud for consideration at the sub-group meeting on 2 March 2021.
- 4.2** The output from the sub-group will be presented to the next meeting of the Audit Committee in June 2021.

5. People Implications

- 5.1** There are no personnel issues with this report.

6. Financial and Procurement Implications

- 6.1** There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

- 7.1** This guide has been prepared for auditors and public bodies and provides audit and risk committee members with suggested questions to help them effectively scrutinise and challenge in the key areas.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no issues.

9. Consultation

- 9.1** This report has been subject to consultation with the Chair of the Audit Committee and appropriate Chief Officers.

10. Strategic Assessment

- 10.1** This report relates to strong corporate governance.

.....
Stephen West
Chief Officer - Resources
Date: 10 March 2021

Person to Contact: Andi Priestman, Shared Service Manager – Audit & Fraud
Telephone 01389 737436
E-mail – andi.priestman@west-dunbarton.gov.uk

Appendix: None

Background Papers: COVID-19 Guide for Audit and Risk Committees – Audit Committee report – November 2020

Wards Affected: All Wards

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit Committee: 10 March 2021

Subject: Update of Non-Domestic Rates Member/Officer Working Group

1. Purpose

- 1.1** The purpose of this report is to provide Members' with an update on the Member/Officer working group to consider issues affecting the Council in relation to Non-Domestic Rates (NDR).

2. Recommendations

- 2.1** It is recommended that Members:

- Note the report;
- Agree the revised membership of the Working Group as detailed within this report; and
- Agree the updated remit of the Group as detailed within this report.

3. Background

- 3.1** Audit Committee on 20 March 2019 agreed the creation of a Member/Officer NDR Working Group with the following remit:

- Issues which prevent payment of NDR and the approach to pursuit of non-payers including monitoring of the effect of implementation of the publicising of non-payers;
- New powers to the Council on application of reliefs and to vary rates arising from the Scottish Government legislation arising from the Barclay Review, e.g. pressures on shopping centres consider rents/rates/incentives for new businesses;
- Potential approaches to make further representation to the Scottish Government around issues identified, e.g. "phoenix companies"; and
- Any other NDR specific issues that are identified.

- 3.2** In addition to the above remit the membership of the group was agreed as:

- 4 Elected Members and 1 Lay Member of the Audit Committee;
- Strategic Lead – Resources;
- Legal representation;

- Estates representation; and
- Senior NDR Practitioner.

3.3 It was anticipated that the Group would identify issues and solutions and report progress back to the Audit Committee at future meetings. Any suggested policy changes would require to be referred onto Corporate Services Committee for consideration. The Working Group has met 4 times since it was created, however meetings and progress has been stalled due to COVID-19 issues being prioritised. The attached appendix provides some further information on the activities of the Group in the 4 meetings that have taken place.

3.4 In discussion with the Chair of the Audit Committee there is a view that now might be a good point to consider the future role and membership of the group.

4. Main Issues

4.1 Following discussion with the Chair of the Audit Committee (who is also the Chair of the Group) it is suggested that the group is refreshed as follows:

- The remit of the Group remains valid however should also consider the linkages between NDR and local economic regeneration;
- In accordance with Standing Order 2.2, the Working Group needs to take guidance from local employers and workers, as stakeholders. Standing Order 2.2 relates to the role of the Audit Committee and includes the following:
 - Monitoring and ensuring that the views of local people, employees and other stakeholders are sought on relevant issues; and
 - Promoting partnership working.
- A refresh of the Working Group membership at this stage with the following membership:
 - Chair of the Audit Committee - John Mooney;
 - Chair of the IRED Committee - Ian McLaren;
 - Lay Member of the Audit Committee - Chris Johnstone;
 - Representative of West Dunbartonshire Chamber of Commerce – Nick Allan or substitute;
 - Representative of the STUC - Andy MacAllion or substitute;
 - Senior Finance Officer - Stephen West or substitute;
 - Senior Regeneration Officer - Angela Wilson or substitute; and
 - Senior Regulatory Officer - Peter Hessett or substitute.
- The Working Group should conclude its business by the end of 2021 and report to the Audit Committee and Corporate Services Committee.

- 4.4** It is anticipated that the Group would identify issues and solutions and report progress back to the Audit Committee at future meetings. Any suggested policy changes would require to be referred onto the appropriate Service Committee or Council for consideration.

5. People Implications

- 5.1** There are no personnel issues with this report, other than officers involved would require to attend this Group in addition to current duties.

6. Financial and Procurement Implications

- 6.1** There are neither financial nor procurement implications arising directly from this report.

7. Risk Analysis

- 7.1** There is a risk that if the Group spends time considering NDR collection issues and does not generate any new approaches, etc. The effectiveness of the Group can be assessed by Audit Committee.
- 7.2** There is a risk if the Working Group does not conclude its work that opportunities to support the local economy may be lost. To mitigate this risk it will be important for the Group to meet at an appropriate frequency and on appropriate topics to enable the relevant issues to be considered and reported upon within the desired timeline.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no equalities issues.

9. Consultation

- 9.1** This report has been subject to consultation with the Chair of the Audit Committee. In addition, Legal Services and Regeneration Services have been consulted and have raised no concerns in the creation and role of the Group as proposed in this report.

10. Strategic Assessment

- 10.1** This report relates to strong corporate governance and financial sustainability.

.....
Stephen West
Chief Officer - Resources
Date: 10 March 2021

Person to Contact: Stephen West, Chief Officer - Resources
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E-mail – steohen.west@west-dunbarton.gov.uk

Appendix: Summary of Group meetings and activities to date

Background Papers: Creation of Non-Domestic Rates Member/Officer Working Group – 20 March 2019

Wards Affected: All Wards

NNDR Working Group

The Working Group has had 4 meetings since inception:

- 12 June 2019;
- 25 September 2019;
- 27 November 2019; and
- 18 March 2020.

The Working Group has considered the undernoted topics, and has reviewed reports in respect of the following:

- (1) Collection of NNDR, Licensing legislation and the possibility of publicising non-payers;
- (2) New powers to the Council arising from the Scottish Government legislation on account of the Barclay Review;
- (3) Discussion on the Fresh Start Scheme, and how this could be promoted more widely to local businesses;
- (4) Scottish Government Reliefs and Council powers to vary Rates;
- (5) Details of properties currently rented out by WDC and rates payable; and
- (6) Write-off of NNDR.

In respect of decisions, *amongst other things* the following was agreed:-

- (1) **(a) Collection of NNDR, Licensing legislation and the possibility of publicising non-payers** – Noted (a) the terms of the report that there was currently no legal mechanism to restrict someone's ability to obtain a licence where non domestic rates have not been paid and a clear example of 'phoenixing' was known; and (b) when reporting to the Council's Audit Committee, to recommend that the Committee consider asking the Scottish Government to propose amendments to the licensing legislation so that failure to pay non-domestic rates may become a relevant matter in a licensing context;

(b) Collection of Non Domestic Rates and Licensing – When reporting to the Council's Audit Committee, to recommend that the Committee consider asking the Scottish Government to propose amendments to the licensing legislation so that failure to pay non-domestic rates may become a relevant matter in a licensing context and also to recommend that any business operator who is trading in the area would require some sort of a licence for trading so that before granting the licence the local authority can check the history of the applicant in order to consider issues around 'phoenix' businesses; and

- (2) **New powers to the Council arising from the Scottish Government legislation on account of the Barclay Review** – Noted, with regard to the Fresh Start scheme, that an area for review and to be reported back would be to identify Landlords, who have empty premises and were currently in receipt of empty property relief for a period of 6 months or more. The intention would be to contact Landlords direct, to make them aware of the scheme and they in turn promote the availability of 100% relief for the first 12 months of new occupation, to all categories of property with a Rateable Value under £65,000 to prospective new tenants; and

- (3) **Scottish Government Reliefs and Council powers to vary Rates** – to note the terms of the discussion that had taken place in respect of Clydebank Town Centre and to note the updated position in relation to Clydebank Town Centre as discussed at the Infrastructure, Regeneration and Economic Development Committee on 20 November 2019, and as detailed in the report and relevant Minute to that Committee.

WEST DUNBARTONSHIRE COUNCIL

Report by Chief Officer - Resources

Audit and Performance Review Committee: 10 March 2021

Subject: The Accounts Commission Report: Financial Overview 2019/20

1. Purpose

- 1.1** The report is to provide Members with information regarding a report recently published by the Accounts Commission.
- 1.2** The report provides the Accounts Commission's perspective on local government finances in Scotland

2. Recommendations

- 2.1** Members are asked to consider the report and issues identified therein.

3. Background

- 3.1** The Accounts Commission is interested in the impact of various pressures on local government and in how Councils are dealing with these pressures.
- 3.2** A key issue for local government in Scotland is financial pressures and governance arrangements, particularly when in periods of change and financial constraint.
- 3.3** The Accounts Commission has provided a report "*The Accounts Commission Report: Financial Overview 2019/20*" – which is appended to this report for Members' information. The report provides key messages and more detailed consideration on a range of financial issues through reviewing Councils' funding and finances in 2019/20.

4. Main Issues

- 4.1** The report highlights a number of key messages as follows:

4.1.1 Council income in 2019/20

- Councils' funding and income increased by £0.8 billion in 2019/20;
- The cash increase in Scottish Government (SG) funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget; and
- Nearly half of the increase in SG funding in 2019/20 was to fund the expansion in early learning and childcare.

A key issue for Councils is the make-up of their funding sources and the majority of funding comes from the SG through General Support Grants and

Specific Grants – which is why the Scottish Government settlement is a key issue each financial year. The report highlights that in real-terms local government revenue funding has reduced over the last 6 years by 4.7% while other SG revenue funding fell by 0.8%.

4.1.2 Councils' Financial Position in 2019/20

- On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils;
- In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19;
- More councils added to their usable revenue reserves in the year totalling £65 million (net);
- Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue;
- Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year;
- Councils had the highest level of capital expenditure of the last five years;
- Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19; and
- Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks.

For WDC – savings targets for 2019/20 were £2.739m and budgetary control reports to Council advised that £2.244m (approx. 82%) was achieved. In 2019/20 usable reserves decreased from £10.998m to £9.395m (General Fund) mainly due to decreased earmarked funds for specific purposes and the use of reserves aligned to the Loans Fund Review changes in treatment. WDC has experienced high levels of capital investment over the last 5 years as part of the capital investment to regenerate and upgrade the Council area and the key assets used by the Council in delivering services.

4.1.3 Councils' Financial Outlook

- 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets;
- Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare;
- The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income;
- We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain;
- Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms; and

- Councils need to review and revise their medium-term financial plans due to Covid-19.

For WDC management adjustments were implemented in 2020/21 of £2.309m however following the financial settlement there was no savings options were agreed by Council in setting the 2020/21 revenue budget. The financial cost of COVID-19 is regularly reported to Council and Council has considered the impact of COVID-19 through the update of the Long Term Finance Strategy which has the expectation that any future costs/financial implications will be managed through either additional SG funding and/or SG allowed fiscal flexibilities. SG announced £259m and a further £275m of COVID-19 funding for Councils for 2021/22.

- 4.2** The report also provides analysis on financial issues for Integration Joint Boards.

5. People Implications

- 5.1** There are no personnel issues.

6. Financial Implications

- 6.1** There are no direct financial implications arising from this report.

7. Risk Analysis

- 7.1** The report from the Accounts Commission highlights a number of key issues for local government in Scotland. There are no specific risks arising from this report, though the report highlights aspects that Members will wish to consider and monitor in future years.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no issues.

9. Consultation

- 9.1** This report has been subject to consultation with Legal Services and Regeneration Services have been consulted and have raised no concerns in the relation to this report.

10. Strategic Assessment

- 10.1** This report relates to strong corporate governance and financial sustainability.

Stephen West

Chief Officer - Resources**Date: 10 March 2021**

Person to Contact: Stephen West, Chief Officer - Resources, Telephone 01389 737191, Email: stephen.west @west-dunbarton.gov.uk

Appendix: The Accounts Commission Report: Financial Overview 2019/20

Background Papers: None

Wards Affected: All

Local government in Scotland

Financial overview 2019/20



ACCOUNTS COMMISSION 

Prepared by Audit Scotland
January 2021

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Councils’ income in 2019/20	9
Councils’ financial position in 2019/20	13
Councils’ financial outlook	22
Integration Joint Boards	30
Endnotes	35

Audit team

The core audit team consisted of: Blyth Deans, Lisa Duthie, Chris Lewis and Lucy Ross, under the direction of Brian Howarth.

Links



PDF download



Web link



Exhibit data

When viewing this report online, you can access background data by clicking on the graph icon. The data file will open in a new window.

Chair's introduction

Councils and Integration Joint Boards (IJBs) play a vital role in supporting Scotland's communities. This has been amplified by the Covid-19 global pandemic. Covid-19 has fundamentally affected local government services and increased the uncertainty of how those services will be provided in the future. The financial impact of the pandemic on our public services is extreme. At the same time, we have seen the strength and resilience of many communities highlighted as they have worked with public service partners to provide invaluable support to those who need it most.

In 2019/20, before the pandemic really took hold in Scotland, the financial impact of Covid-19 was limited. This report notes that more councils added to their usable revenue reserves than in previous years. Reserves play an important role in effective financial management and provide a cushion for future unexpected events. I think that the emergence of the global pandemic and resultant UK lockdown from 23 March 2020 could be described as a once-in-a-lifetime event and Council reserves can be a key tool to manage the medium-term financial impacts of Covid-19.

Scottish Government funding accounts for the majority of council income. After several years of reductions in funding, there has been a real terms increase in 2019/20. It is important to note though that around 40 per cent of the increase was intended to meet the Scottish Government's policy of expanding early learning and childcare provision. As we have reported before, councils have limited flexibility over how they use this type of additional funding. It is also important to recognise that although funding in 2019/20 improved, reductions in local government funding over the past six years are still larger than in other areas of the Scottish Government budget.

Capital funding had experienced significant increases in the past three years by 33 per cent between 2017/18 to 2019/20. But Scottish Government capital funding in 2020/21 is now decreasing by 30 per cent in real terms. This will have an impact on councils' future investment plans.


In IJBs, the bodies set-up to deliver local health and social care services, the financial pressures are significant, with many needing additional funding from councils and health board partners to break-even in 2019/20. We also continue to see a high turnover in leadership in many IJBs, at a time when they are tackling both the impact of Covid-19 along with the ongoing and longer-term pressures of increased demand.

2020 presented significant challenges to the preparation and audit of councils', pension funds' and IJBs' annual accounts. However, 92 per cent of annual accounts were signed off by the revised audit deadlines due to the dedication of local government finance staff and of our auditors in these challenging circumstances. I am grateful for everyone's hard work and diligence to achieve this outcome.

During 2020/21, the pandemic and associated lockdown has affected many aspects of Councils' and IJB's finances and created significant financial uncertainty. Councils face the challenge of meeting additional mobilisation and recovery costs as well as the lost income resulting from closures of leisure facilities and reductions in income from fees and charges. Councils are also administering support schemes on behalf of the Scottish Government. Substantial additional funding for councils has been announced by the Scottish Government together with some further financial flexibilities, but it is currently unclear whether this will cover all cost pressures faced by councils in 2020/21 and beyond.

2020/21 also saw a large shift in the way that public services and communities worked together to support those most in need. Many communities and individuals stepped in to provide much needed local services and were empowered and encouraged to do so by councils, IJBs and their partners. We have heard of much good practice and hope that this continues.

The Accounts Commission's future reporting, together with the Auditor General for Scotland, will be refocused on the significant impact of Covid-19 across all public services. This report highlights the emerging and developing financial challenges due to Covid-19, but future financial overview reports will be better able to assess the full year impact in 2020/21, based on financial reporting to 31 March 2021. Our Local Government Overview 2021 report, due to publish in May, will consider the initial response phase of the pandemic.

Audit Scotland has published a [Guide for audit and risk committees](#)  to support effective scrutiny of how public bodies have responded to Covid-19. This covers key areas, including internal controls and assurance, financial management and reporting, governance and risk management. Good governance, strong financial management and transparency of decision making will be critical for local government bodies in dealing with the implications and fallout from the pandemic.

Elma Murray

Interim Chair of the Accounts Commission

Key messages

Councils and pension funds

- 1** Councils' funding and income increased by £0.8 billion in 2019/20. There was an increase in Scottish Government funding of £0.5 billion, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
- 2** Nearly half of the increase in Scottish Government funding in 2019/20, and all the initial additional funding in 2020/21, was to fund the expansion in early learning and childcare
- 3** Councils continue to plan for, and deliver, savings as part of their annual budgets, but there are significant variations in individual councils' ability to deliver planned savings
- 4** More councils added to their usable revenue reserves totalling £65 million (net) in 2019/20
- 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year (2019/20)
- 6** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income. We estimate that funding announced by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils, although total costs and funding are still uncertain
- 7** Councils' auditors reported wider medium-term financial implications of Covid-19

Integration Joint Boards (IJBs)

- 8** A majority of IJBs (22) struggled to achieve break-even in 2019/20 and many received year-end funding from partners
 - 9** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 due to Covid-19 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all of these costs
 - 10** Instability of leadership continues to be a challenge for IJBs. There were changes in chief officer at 12 IJBs in 2019/20
-

About this report







1. This report provides a high-level independent analysis of the financial performance of councils and IJBs during 2019/20 and their financial position at the end of that year. It also looks ahead and comments on the financial outlook for councils and IJBs. It is one of two overview reports that the Accounts Commission publishes each year. The second report, commenting on councils' initial response to the Covid-19 pandemic, will be published in May 2021.

2. Our primary sources of information for the financial overview are councils' and IJBs' 2019/20 unaudited accounts, including management commentaries and the 2019/20 external annual audit reports, where available. We have supplemented this with data submitted by councils to COSLA as part of their Covid-19 cost collection exercise, and mobilisation plan financial summaries submitted to the Scottish Government by IJBs. COSLA returns were requested and obtained from auditors. We received 29 returns, with 3 outstanding. The COSLA returns are not subject to audit review.

3. The Covid-19 pandemic has created new challenges which have affected the preparation of this report. The rescheduling of audit timetables meant that audited accounts for all councils were not available for analysis and, as a result, judgements are based on data from unaudited accounts, except where significant audit adjustments have been identified. We are comfortable with this approach, and our analysis of available audited information tells us that the level of change between unaudited and audited accounts has not significantly affected our key judgements. We have reviewed external annual audit reports for 2019/20 that were available at 30 November 2020.

4. We refer to 'real-terms' changes in this report. This means we are showing financial information from past and future years at 2019/20 prices, adjusted for inflation so that they are comparable. Similarly, where 2020/21 comparisons are made, we have adjusted for inflation to 2019/20 prices. We also refer to figures in 'cash terms'. This means we are showing the actual cash or money paid or received.

Key facts

		2019/20 £ billion	2018/19 £ billion	Movement
	Councils' funding and income	£18.5	£17.7	4.5%
	Scottish Government revenue funding	£10.3	£9.8	5.4%
	Councils' capital spending	£3.6	£2.8	29.0%
	Councils' usable revenue reserves	£2.0	£1.9	3.4%
	IJBs' spending	£9.2	£8.6	7.0%
	Additional estimated cost in councils and IJBs due to Covid-19 in 2020/21	£1.2 billion		

Councils' income in 2019/20

Key messages

- 1** Councils' funding and income increased by £0.8 billion in 2019/20
 - 2** The cash increase in Scottish Government funding (£0.5 billion) in 2019/20 improved the position relative to others, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget
 - 3** Nearly half of the increase in Scottish Government funding in 2019/20 was to fund the expansion in early learning and childcare
-

Total revenue funding and income

Councils' funding and income increased by £0.8 billion in 2019/20

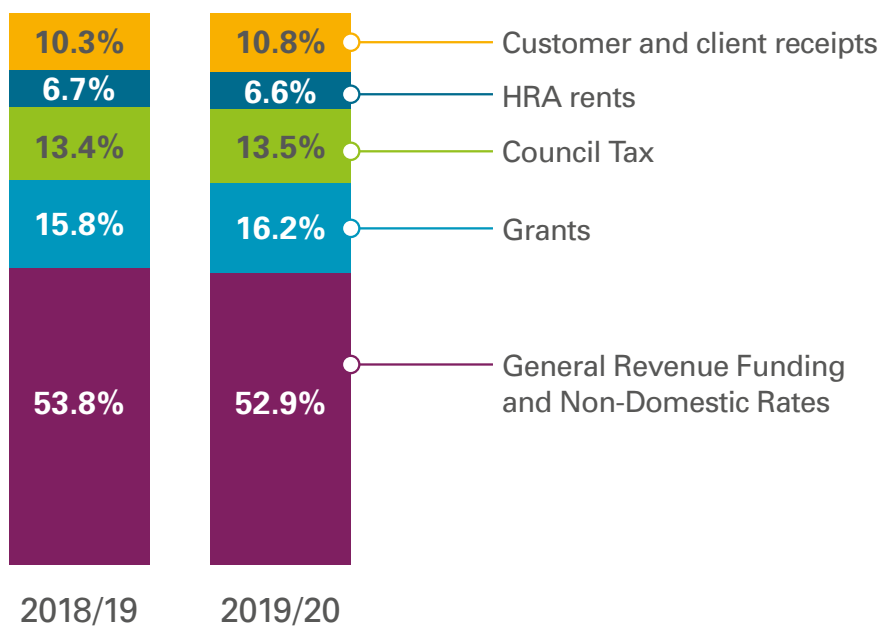
5. Total revenue funding and income received by councils was £18.5 billion in 2019/20, representing an increase of £0.8 billion (or five per cent) on the previous year. A comparison between years ([Exhibit 1](#)) shows that most of the funding comes from the Scottish Government and the relative value of specific grant income to councils has increased.

Councils' funding and income increased by £0.8 billion in 2019/20.

Exhibit 1

Sources of funding and income, 2018/19 and 2019/20

The majority of funding for councils comes from the Scottish Government.



Source: Unaudited financial statements 2019/20 (audited financial statements 2018/19)

6. Grant income includes housing benefit and Scottish Government specific grants (eg Early Learning and Childcare and Criminal Justice Social Work), which are treated as service income by councils generally. Scottish Government direct grants increased by £0.2 billion in 2019/20. There were also increases in grants from other sources. For example, Aberdeen City Council received £0.1 billion from Transport Scotland for the Aberdeen Western Peripheral Route.

7. Council tax income has increased by £0.1 billion (or 5 per cent) mainly as the Scottish Government raised the cap on council tax rate increases to 4.8 per cent. Twelve councils took the decision to increase the council tax rate by the full amount.

Scottish Government funding

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20

8. In 2019/20, the total revenue funding from the Scottish Government increased by 5.4 per cent in cash terms and increased by 3.4 per cent in real terms ([Exhibit 2](#)). Total revenue funding of £10.3 billion consists of the general revenue grant funding of £7.0 billion; Non-Domestic Rates distribution (NDR) £2.8 billion and specific grants of £0.5 billion.

Exhibit 2

Changes in Scottish Government revenue funding in 2019/20

Scottish Government revenue funding increased by 3.4 per cent in real terms in 2019/20.

	2018/19	2019/20	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,521	9,811	3.0%	1.1%
Specific Revenue Grants	274	508	85.5%	82.0%
Total revenue funding	9,795	10,319	5.4%	3.4%
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,150	10,674	5.2%	3.2%

Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Funding in 2019/20 improved relative to others, but an historic difference still exists

9. Funding from the Scottish Government to local government between 2013/14 and 2019/20 decreased by 4.7 per cent, in real terms ([Exhibit 3, page 12](#)). The increased funding in 2019/20 improved the position that existed last year (2018/19), when the total reduction was 7.6 per cent. Scottish Government funding to other areas of the total Scottish budget decreased by 0.8 per cent between 2013/14 and 2019/20, demonstrating that local government funding has still undergone a larger reduction than the rest of the Scottish Government budget over this period.

Nearly half of the increased funding in 2019/20 was to fund the expansion in Early Learning and Childcare

10. There is an element of the revenue settlement for funding that is linked to specific ongoing policy initiatives and expectations.

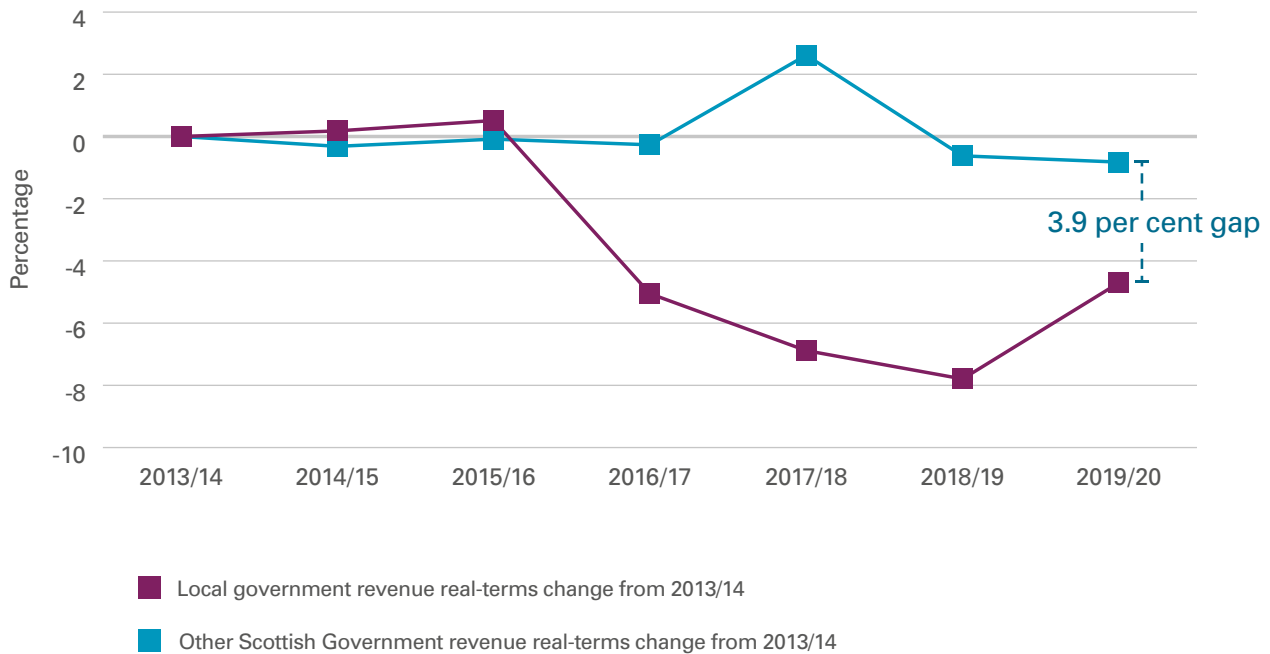
11. Specific revenue grants increased in cash terms by £234 million in 2019/20, growing from 2.8 per cent of total revenue funding to 4.9 per cent. This represented 45 per cent of the increase in revenue funding in cash terms between 2018/19 and 2019/20. The majority of this increase could be attributed to an additional £210 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 from 600 hours by 2020 for all three- and four-year-olds and eligible two-year-olds.

Scottish Government revenue funding increased by 3.4% in real terms in 2019/20. Nearly half of this was to support the expansion in Early Learning and Childcare.

Exhibit 3

A comparison of real-terms changes in revenue funding in local government and other Scottish Government areas

Over the last six years local government revenue funding from the Scottish Government fell by 4.7 per cent, while other Scottish Government revenue funding fell by 0.8 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents (June 2020 ONS deflators)

Councils' financial position in 2019/20

Key messages

- 1** On the whole councils continue to deliver savings as part of their budget in 2019/20, but there are significant variations in individual councils
- 2** In 2019/20 councils' auditors reported wider medium-term financial implications of Covid-19
- 3** More councils added to their usable revenue reserves in the year totalling £65 million (net)
- 4** Two councils are at risk of running out of general fund reserves in the medium-term if current trends continue
- 5** Glasgow City Council's equal pay funding strategy had a significant impact on total reserves, debt and capital expenditure this year
- 6** Councils had the highest level of capital expenditure of the last five years
- 7** Local auditors drew attention to material uncertainty in property and investment valuations due to Covid-19
- 8** Local government pension funds returns were negatively affected by Covid-19, but the majority of funds still tended to outperform their benchmarks

Council budgets and outturn 2019/20

In 2019/20 budget gaps were to be addressed by planned savings

12. In 2019/20, councils identified budgeted net expenditure of £12.6 billion. The initial budget gap in 2019/20 was £0.5 billion (three per cent). In 2018/19, the initial budget gap was similar at £0.4 billion. Planned savings were the most common way of addressing funding gaps in 2019/20.

Councils appear to have delivered 2019/20 savings plans, but with significant variation

13. A sample analysis of 14 councils identified that 84 per cent of the planned savings were delivered. However, there was significant variation in how individual councils performed against their savings targets:

- East Lothian Council, which planned savings of £5.2 million, and Stirling Council, which planned savings of £7.3 million, reported achieving 100 per cent of their targets.
- Comhairle nan Eilean Siar planned to deliver savings of £2.6 million but achieved savings of £0.8 million or just 31 per cent of its target.

Impact of Covid-19

The effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets

14. Covid-19 restrictions began in March 2020 and the financial effect on councils (excluding social care – see [paragraph 70](#)) in 2019/20 was limited to between £20 million and £25 million.¹ Councils reported that lost income and unachieved savings accounted for two-thirds of identified financial impacts. The remaining costs were mainly associated with mobilising support services for vulnerable groups and the wider community.

15. There were no additional Covid-19-related funding allocations from the Scottish Government in 2019/20. Our review of available annual audit reports confirms that Covid-19 did not have a significant impact on councils' outturn, and costs were mostly managed within existing available budgets. Additional Covid-19-related funding allocations to councils were not received until 2020/21.

In 2019/20, councils' auditors reported wider financial consequences of Covid-19 in their annual reports

- **Delays in growth deals:** Dumfries and Galloway Council. The impact of Covid-19 has delayed some of the progress in establishing governance structures and formal sign off of the Borderlands' Collaboration Agreement as part of the Borderlands growth deal.
- **Additional borrowing:** East Lothian Council and Inverclyde Council both took out additional loans towards the end of March 2020 to ensure sufficient liquid funds to address the expected consequences of Covid-19.
- **Planned savings proposals:** East Lothian Council identified that many of the plans related to savings have effectively been placed on hold to enable the council to focus its attention and support on responding to Covid-19. East Dunbartonshire Council anticipated that transformation programme savings for 2020/21 were unachievable due to the impact of the pandemic.

The financial effect of Covid-19 was not material in 2019/20 and councils were able to manage this within existing budgets.

- **Medium term financial planning:** West Lothian Council reported that early planning arrangements for its next medium-term financial plan have been deferred to 2021/22 as management focuses on the more immediate impact and actions arising from the impact of Covid-19.
- **Capital programmes:** Aberdeenshire Council identified that the capital programme was suspended for around three months with a phased restart thereafter. In Inverclyde Council officers have reviewed the phasing of the 2020–23 Capital Programme in light of Covid-19 and have estimated the slippage for 2020/21 as 47 per cent. An initial additional budget of £2.7 million has been agreed to cover the potential cost pressures resulting from the site working requirements, increases in the price of materials and general cost increases generated by Covid-19.
- **Delays in bad debt collection:** Aberdeenshire Council reported that elements of the debt recovery processes had been suspended for several months owing to Covid-19 and recognised the potential for bad debts to increase.
- **Expected capital receipts:** West Dunbartonshire Council identified that expected capital receipts of £9 million from the sale of sites were subject to greater uncertainty due to Covid-19 effects on asset values.
- **Going concern issues in subsidiary/joint venture partners:** Some auditors of group component bodies, including those arms-length external organisations (ALEOs) and partners that provide housing repair and leisure services, drew attention to the additional going concern uncertainty due to the financial impact of the Covid-19 pandemic.

Reserves

More councils (22) added to their usable revenue reserves, but most of the total relates to Glasgow City Council

16. Last year we reported that councils were increasingly using up revenue reserves to balance their budgets. This trend did not continue into 2019/20 ([Exhibit 4, page 16](#)). Twenty-two councils reported increases in their revenue reserves balance (13 last year) with a net increase of £65 million (or 3 per cent) across all councils.

17. The most significant increase was Glasgow City Council, where usable revenue reserves went up by £87 million (or 80 per cent) mainly due to the equal pay funding strategy that was implemented in the year ([paragraph 28](#)).

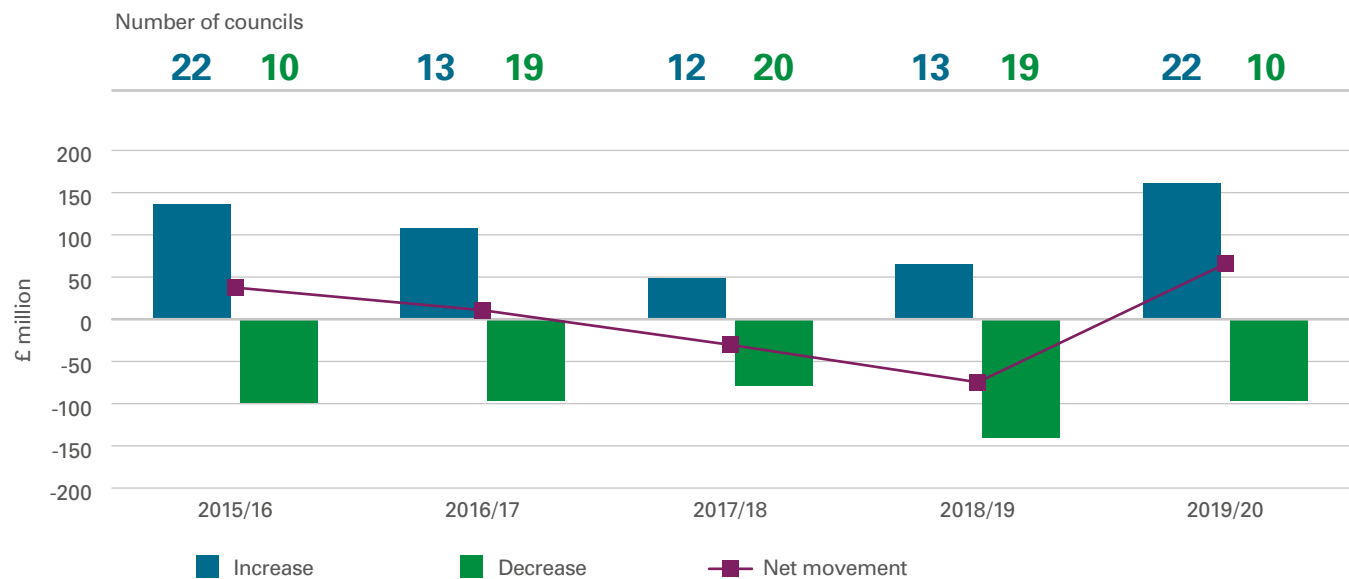
18. Highland Council also experienced a significant increase in its usable revenue reserves of £15 million (or 47 per cent). Contributing factors include spending constraints on recruitment and discretionary spend and £22 million of delivered savings and additional income.

More councils added to their usable revenue reserves in 2019/20, with a net increase of £65 million across all councils.

Exhibit 4

Movement in usable revenue reserves over the past five years

More councils added to their usable revenue reserves in 2019/20.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2015/16 to 2018/19

There is variation in whether councils have been adding to or using up general fund reserves

19. Councils have different strategies for managing their financial position and reserves position over time, so we would expect to see variation in the movements and balances held. Reserves play an important role in effective financial management. They provide a working balance to smooth out uneven cashflows, protect against the financial impact of unexpected events, as well as enabling funds to be built up for known future commitments.

20. Exhibit 5 (page 17) shows the annual average rate of general fund use at 31 March 2020, based on the last three years. It indicates how long it would take for a council to run out of its general fund reserve if the pattern of use (over the last three years) were to continue. An amount less than minus 25 per cent would indicate reserves would be depleted in less than four years.

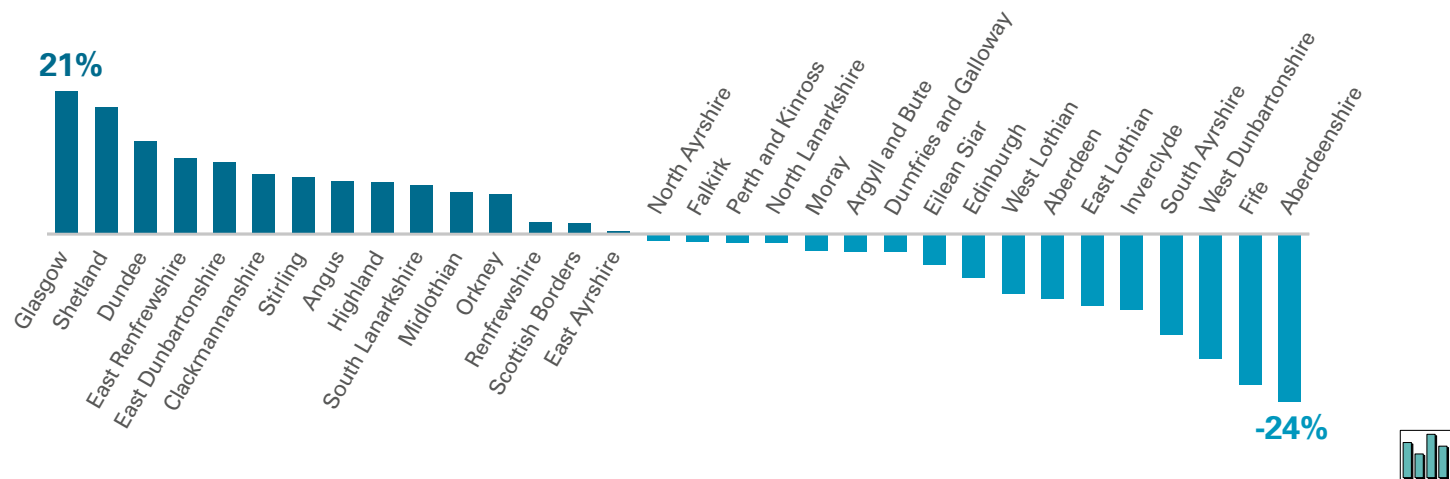
Moray Council sustainability has improved with a significant surplus in 2019/20

21. In our 2018/19 report, we highlighted Moray Council as being at risk of depleting its reserves within five years. In 2019/20, the council's financial position improved, with the general fund increasing by £7 million. This was in contrast to a budgeted reduction of £5 million in the general fund. The turnaround was largely due to better than expected funding and income, including council tax income, Business Rates Incentivisation Scheme (BRIS) retention, a one-off VAT refund and insurance settlement and additional general revenue grant funding. The council also exceeded its savings target and delivered £13 million of savings in year.

Exhibit 5

Average annual movement in the general fund (including HRA) over the last three years

The movement on councils' general fund reserves varies significantly.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified, and audited financial statements 2018/19 and 2017/18

Two councils are now at risk of running out of general fund reserves in the medium term if current trends continue

22. Fife and Aberdeenshire Council are now at risk of running down their general fund balance within four to five years if their current trend of using these continues ([Exhibit 5](#)). Neither council planned to use general fund balances as part of their 2020/21 initial budget, but the unusual circumstances of Covid-19 may now affect this.

23. Local auditors report that Aberdeenshire Council regularly reviews reserves as part of its medium-term financial strategy. The recent [Best Value Assurance Report](#) (October 2020) identified that reserves have largely decreased due to planned use. However, this also includes some unplanned use, including additional contributions of £5.5 million to the Aberdeenshire Integration Joint Board (IJB), to meet the council's share of IJB revenue budget overspends. The Report notes that the remaining balance is low relative to other councils.

24. Fife Council has been drawing on its reserves over the last few years, particularly the planned use of committed balances. However, the council's medium-term financial strategy forecasts the level of general fund will continue to deteriorate over the next three years and will be insufficient to fully mitigate against the financial impact of Covid-19.

Capital

Councils recorded the highest level of capital expenditure over the last five years

25. Capital expenditure increased by £0.8 billion (or 29 per cent) to £3.6 billion in 2019/20. Glasgow City Council's sale and leaseback transactions, as part of the equal pay funding strategy, make up £0.5 billion of the increase ([paragraph 28](#)). Excluding this, capital expenditure is still the highest level recorded by councils



Best Value Assurance
Report: Aberdeenshire
Council

October 2020

over the last five years. This is aligned with a peak in Scottish Government capital funding ([Exhibit 12, page 29](#)).

Some councils had significant increases in their capital investment:

- City of Edinburgh Council: £0.15 billion (or 49 per cent) increase. New or additional investment across several areas including the Trams to Newhaven Project, creation and expansion of educational properties, investment in council houses, sports facilities and road infrastructure.
- Moray Council: £0.04 billion (or 87 per cent) increase. Investment in schools and early learning and childcare facilities, council houses and waste management facilities. This includes a joint venture with Aberdeen City and Aberdeenshire Councils to build an energy from waste plant.

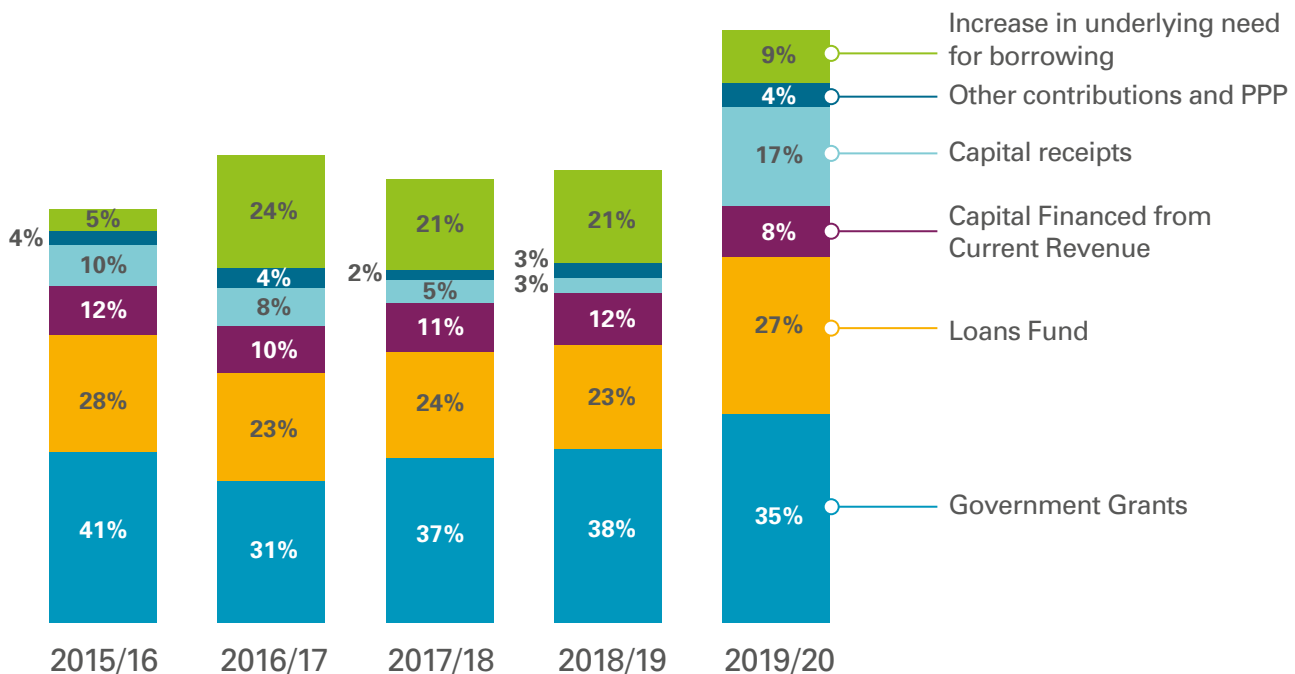
The main sources of capital financing are still government grants and internal loans fund repayments from council services

26. Government grants continued to provide the main source of capital finance. The effect of the sale and leaseback arrangements at Glasgow City Council significantly increased the element of funding generated from capital receipts in 2019/20 ([Exhibit 6](#)).

Exhibit 6

Capital expenditure analysed by source of finance 2015/16 to 2019/20

Sixty-two per cent of capital expenditure was financed by government grants or internal loans fund repayments.



Source: Unaudited financial statements 2019/20 and audited financial statements 2015/16–2018/19

Debt

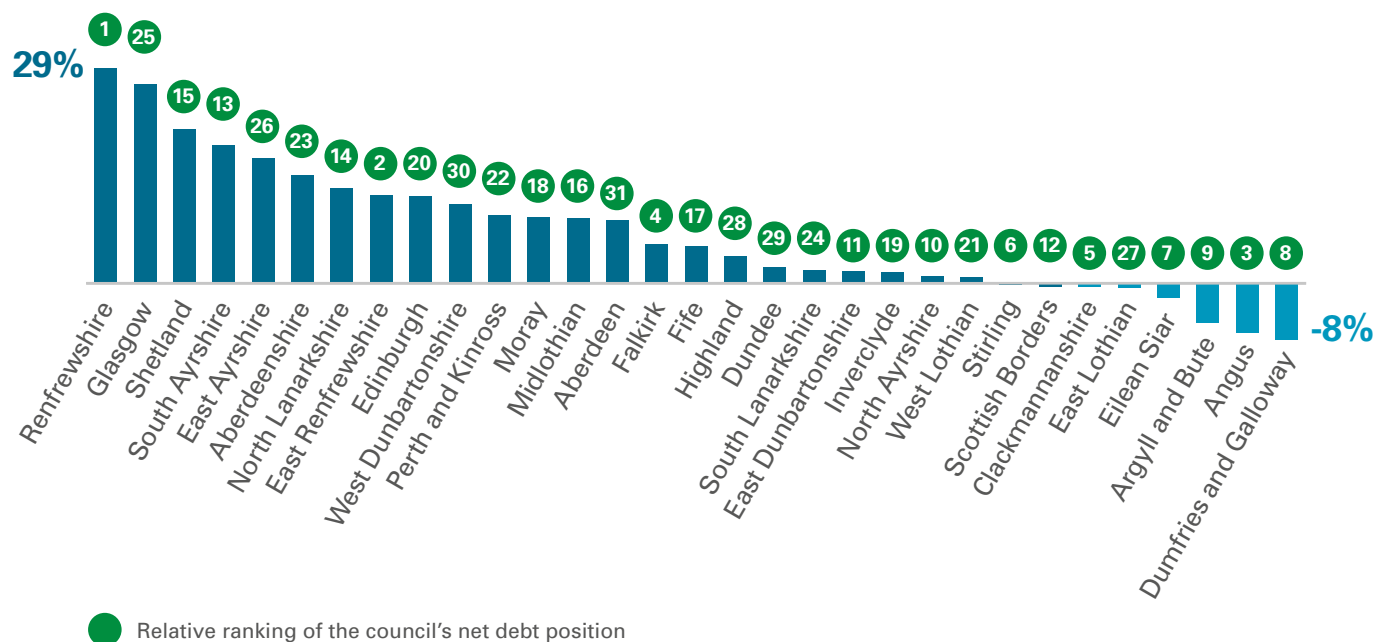
Most councils increased their net debt, typically by 4 per cent or more in 2019/20

27. Total net debt (total debt² less cash and investments) across councils has increased by £1.4 billion, or nine per cent, to £17 billion. [Exhibit 7](#) shows the relative movement in net debt between 2018/19 and 2019/20 for each council. The median movement is 4.3 per cent. Renfrewshire Council incurred the most significant increase, but this is due to lower cash balances, rather than an increase in borrowing. Renfrewshire Council still has the lowest level of net debt relative to its annual revenue. As noted earlier in this report, the Glasgow City Council sale and leaseback of council properties ([paragraph 28](#)) also contributed to a significant increase in its net debt position.

Exhibit 7

Percentage movement in net debt between 2018/19 and 2019/20 at council level with relative ranking of total net debt

Most councils increased their net debt by 4 per cent or more.



Note: Orkney has been excluded as it has net investments.

The rankings (1 to 31) indicate the net debt position of the council relative to others, with 1 being the lowest. Net debt is shown as a proportion of net annual revenue.

Source: Unaudited financial statements 2019/20.

Equal pay settlements at Glasgow City Council were financed through sale and leaseback

28. Glasgow City Council included a provision for equal pay costs in 2018/19 and during 2019/20 settled the majority of outstanding equal pay claims. The £500 million cost of settlement was met by a funding strategy that raised £549 million. This included the refinancing of a City Property loan arrangement (the Council's Arm's Length Organisation or ALEO) and the sale and leaseback of 11 council properties to City Property. As the income from the funding strategy exceeded the cost of settlement, the council has earmarked £70 million to support any

future equal pay liability arising from the implementation of a new pay and grading system. This accounts for the majority of the net increase of £84 million in the general fund balance held by the council ([paragraph 17](#)).

29. The arrangement is represented in non-current assets and by a deferred liability. This contributed £453 million to the total Scottish debt. The total annual rent payable to City Property by the Council is now £20.4 million and is subject to annual inflation of 2.75 per cent.

Audit of 2019/20 annual accounts

Auditors drew attention to material uncertainty in property valuations relating to Covid-19

30. Most councils' auditors reported a material valuation uncertainty in council property valuations related to the potential impact of Covid-19. An 'emphasis of matter' paragraph was included in the independent auditor's reports to draw attention to this matter.

Local Government Pension Funds

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19

31. The eleven main Scottish Local Government Pension Funds experienced negative investment returns as a result of the impacts of Covid-19 on global markets in the last quarter of 2019/20. The annual return was between -1.9 per cent and -8.3 per cent in individual funds, based on the average assets position ([Exhibit 8](#)).

Exhibit 8

Investment returns based on average assets in Scottish Pension Funds 2019/20

2019/20 investment returns were adversely affected by Covid-19.



Source: Audited accounts of the Pension Funds 2019/20

Funds still tended to outperform their benchmarks

32. In the majority of funds, the overall investment returns still outperformed their individual annual benchmarks to 31 March 2020. Since then there has been a partial recovery in global markets. The auditors of Tayside Pension Fund report that net assets fell by 16 per cent due to Covid-19 in the last quarter of 2019/20 but had recovered over two-thirds of these losses by the end of June 2020.

Some elements of pension investments were more uncertain as result of Covid-19

33. A number of pension fund auditors drew attention to the levels of greater uncertainty attached to 'level 3' investments, by including an 'emphasis of matter' paragraph in their auditors' reports. In Fife Pension Fund, level 3 investments include investments in property, infrastructure and private equity. These make up around £270 million or 11 per cent of the fund's total investments at 31 March 2020. As there is no market data to support the valuation these are based on judgements by investment funds. These valuations included material valuation uncertainty disclosures this year due to Covid-19.

The next triennial valuation of Scottish Local Government Pension Funds is due to be completed in March 2021

34. Triennial valuations of Scottish Local Government Pension Funds are due to be completed in March 2021. This will identify the funding level in each scheme and inform future funding and investment strategies as well as determining the level of employer and employee contribution rates from 2021/22 onwards.

Pension Fund investment returns were negative in 2019/20 as a result of Covid-19, but most funds still tended to outperform their benchmarks.

Councils' financial outlook

Key messages

- 1** 2020/21 initial budgets identified savings targets as the main way to close a budget gap of £0.5 billion, with more councils setting multi-year indicative budgets
 - 2** Before the impact of Covid-19, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms, but this is to fund the expansion in Early Learning and Childcare
 - 3** The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million, with just over half due to lost income
 - 4** We estimate that funding announced by the Scottish Government by November 2020 meets 60 to 70 per cent of the cost pressures identified by councils through COSLA's cost-gathering exercise, although total costs and funding are still uncertain
 - 5** Scottish Government capital funding to local government in 2020/21 is decreasing by 30 per cent in real terms
 - 6** Councils need to review and revise their medium-term financial plans due to Covid-19
-

Budget gap 2020/21

Initially councils identified a total budget gap of £0.5 billion in 2020/21 and again plan to address these through savings targets

35. Councils original 2020/21 budgets were set before the Covid-19 pandemic emerged in Scotland. Councils set net expenditure budgets after taking into account projections of local income from fees and charges. Councils approved net expenditure budgets of £13.5 billion for 2020/21 including a budget gap of £0.5 billion (or three per cent). The budget gap is shown before action such as savings, council tax rate increases and use of reserves. There is still some inconsistency in how councils present their own budget gaps. For example, whether it is stated before or after the council tax increase. The relative size of the budget gap was consistent with the two previous years. Savings plans were the main way councils planned to bridge the budget gap, contributing 55 per cent with council tax increases contributing a further 23 per cent.

36. Eighteen councils approved a council tax rate increase in line with the 4.84 per cent cap set by Scottish Government in 2020/21. Six councils increased their council tax rate by three per cent and the remaining eight councils approved an increase of between 3.95 per cent and 4.8 per cent.

More councils presented multi-year indicative budgets in 2020/21

37. A new development was for more councils to set multi-year indicative budgets, as part of the 2020/21 budget setting process. Fifteen councils presented multi-year indicative budgets. In four councils (Aberdeen, Aberdeenshire, Scottish Borders and Stirling) budgets covered the next five years, with the others covering three years.

2020/21 funding settlement

Prior to additional Covid-19 related funding, Scottish Government revenue funding in 2020/21 increased by 1.4 per cent in real terms

38. The Local Government revenue settlement from the Scottish Government in 2020/21, before taking into account changes due to Covid-19, increased by 3.4 per cent (cash terms) from 2019/20 to £10.7 billion. This was a real terms increase of 1.4 per cent ([Exhibit 9](#)).

Exhibit 9

Changes in Scottish Government revenue funding in 2020/21 (excluding Covid-19 funding)

Scottish Government revenue funding increased by 1.4 per cent in real terms in 2020/21.

	2019/20	2020/21	Cash %	Real %
General Revenue Grant and Non-Domestic Rate Income	9,811	9,958	1.5%	-0.5%
Specific Revenue Grants	508	710	39.8%	37.1%
Total revenue funding	10,319	10,668	3.4%	1.4%
Health & Social Care funding via NHS	355	355	0.0%	-1.9%
	10,674	11,023	3.3%	1.3%

Source: Finance Circulars 04/2020 and Scottish Government budget documents

Most of the increased funding in 2020/21 was to fund the expansion in Early Learning and Childcare

39. Specific revenue grants increased in cash terms by £202 million in 2020/21, growing from 4.9 per cent of total revenue funding to 6.7 per cent. This represented 1.4 per cent of the increase in revenue funding in cash terms between 2019/20 and 2020/21. Most of this increase was due to an additional £201 million allocated to councils to support the expansion in funded Early Learning and Childcare entitlement to 1,140 hours by 2021.

Financial impact of Covid-19 in 2020/21

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million³

40. As noted above, initial budgets and funding settlements did not reflect the changed environment and financial effects of Covid-19. During the early phases of Covid-19, the Convention of Scottish Local Authorities (COSLA) worked with councils to summarise the expected financial effects of Covid-19 on local government. This was summarised by COSLA in their *Cost Collection Exercise: Analysis and Narrative – 3rd Iteration (Full Year Figures)*, (July 2020) and the financial impact of Covid-19 in 2020/21 is estimated to total £767 million (excluding Education and Early Learning and Childcare costs). The projected amount covers the full financial year and includes gross additional costs of £855 million, offset by savings of £88 million (from lower property costs and school meal costs). £86 million of the gross additional cost figure relates to projected capital costs.

41. This estimate does not include additional social care costs which are covered in [paragraph 70](#) as part of Health and Social Care Partnership costs.

Lost income accounts for over half of Covid-19 costs in councils

42. Loss of income accounts for over half of the forecast additional costs. Loss of income from fees and charges was projected to result in a loss of £161 million. The most significant proportion of these losses related to the anticipated reduction in parking fee income ([Exhibit 10, page 25](#)). All councils projected a loss of income from sports and leisure facilities at July 2020, totalling £75 million. Mobilisation costs and the costs arising from reconfiguring services (recovery costs) made up the remaining Covid-19 costs.

43. Several larger urban councils have ALEOs that were set up to manage commercial activities and provide income back to councils. This includes conference facilities and transportation services. The projected loss of income for councils from these was £39 million. This included Lothian Buses, Edinburgh Trams, Scottish Exhibition and Conference Centre and the Aberdeen Exhibition and Conference Centre.

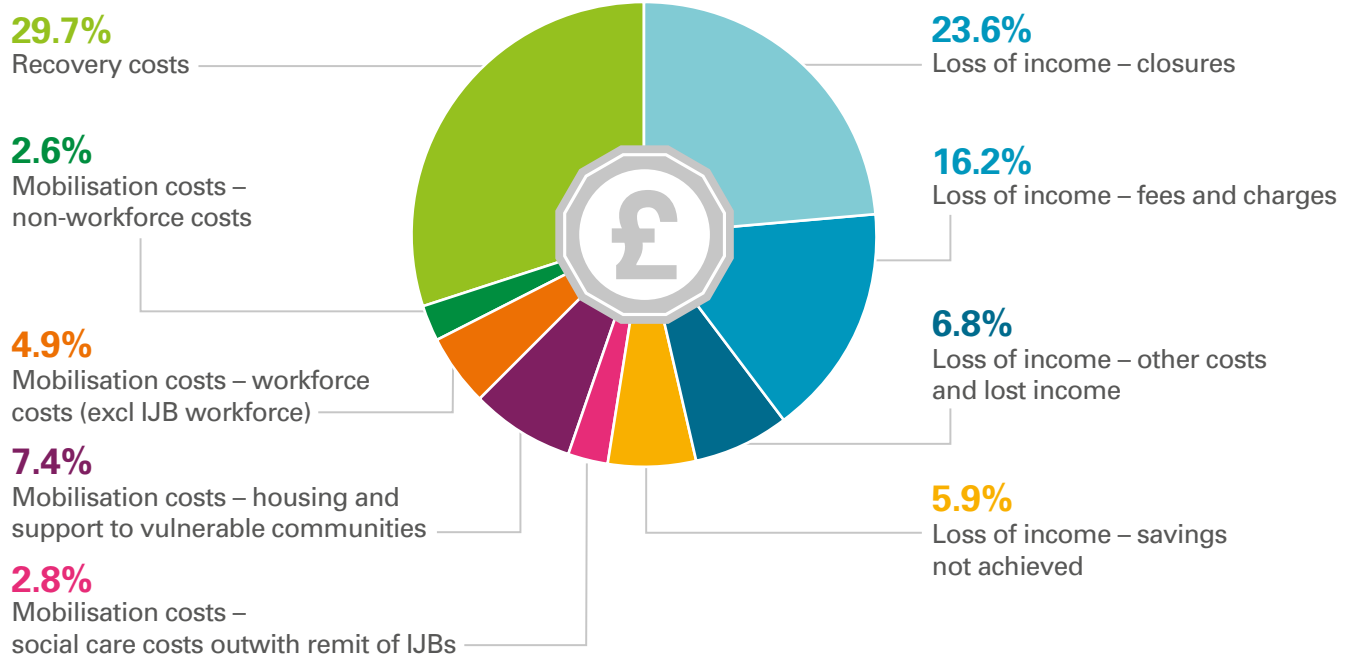
44. Loss of income from harbour and ferry activities is another area that has been projected to be significantly impacted. Four councils projected a loss of income totalling £11 million.

The financial cost of Covid-19 on councils in 2020/21 is estimated to be £767 million. Over half of this relates to lost income.

Exhibit 10

2020/21 Projected Covid-19 related expenditure/lost income

Loss of income accounts for over half of the forecast additional costs.



Source: COSLA summary (full year returns) (July 2020) and COSLA council returns. Proportions based on returns from 25 councils.

Scottish Government support for Covid-19 pressures

The proportion of NDR and General Revenue Grant funding was adjusted

45. In March 2020, the Scottish Government made a £972 million reduction to the distributable amount of Non-Domestic Rates (NDR) in 2020/21 together with a corresponding increase in the General Revenue Grant (GRG). This reflected measures arising from The Non-Domestic Rates (Coronavirus Reliefs) (Scotland) Regulations 2020 which included 1.6 per cent of Universal Relief, 100 per cent relief for Retail, Hospitality and Leisure and 100 per cent relief for Airports and Baggage Handlers.

46. The change reflected a recognition that NDR income collected by councils would be lower than anticipated due to Covid-19. As the Scottish Government guarantee each council's formula share of GRG plus NDR, the change resulted in no overall impact on council's total revenue funding.

Councils have administered funding of over £1 billion as part of the Covid-19 Business Support Fund Grant Scheme

47. In March 2020, the Scottish Government announced that businesses could apply for grants to help them deal with the impact of Covid-19.⁴ These grants would be administered by councils on behalf of the Scottish Government, with funding made available to councils to finance the costs incurred. Councils received a grant of £950 million in 2020/21 providing an initial advance of the estimated costs projected by the Scottish Government, based on the number of businesses eligible for relief within each council area. The remaining amount will be disbursed as necessary up to a maximum collective limit of £1.2 billion.

48. Councils reported that over 106,000 applications were received for the Small Business Grant Scheme and the Retail, Hospitality and Leisure Business Grant Scheme across Scotland. Of the applications received, over 90,000 were successful with grants of over £1 billion awarded by September 2020.

Further funding of £936 million has been announced by November 2020

49. As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced ([Exhibit 11, page 27](#)). This is made up of the following:

- £723 million of revenue support, including £90 million (estimated) from the loss of income compensation scheme
- £150 million of NHS funding to be passed on to Health and Social Care Partnerships
- £63 million of capital support for Regeneration Capital Grant Fund, Town Centres Capital Fund, school transport support and digital inclusion funding

We estimate that funding announced by November 2020 meets 60 to 70 per cent of the revenue cost pressures identified by councils, with total costs and funding still uncertain

50. In [paragraph 40](#), we noted estimated council cost pressures of £767 million, split between revenue cost projections of £681 million and capital cost projections of £86 million. Not all the announced additional funding can be matched to these costs. Of the total £936 million announced, £234 million has been provided to benefit third parties or did not form part of the council's original cost submission.

51. The funding for the Scottish Welfare Fund (£45 million), council tax reduction scheme (£50 million) and discretionary housing payments (£5 million) are administered by the councils but will benefit individuals and businesses within the community.

52. The additional educational recovery funding (£134 million) is a consequence of the decision to re-open schools and early years establishments full-time from 11 August 2020. The necessary social distancing and cleaning measures result in additional costs to councils to be met from this funding. These were not envisaged in the councils' initial cost collection exercise, which predated decisions to return to school on a full-time basis.

53. The funding of £150 million to be passed to Health and Social Care Partnerships did not form part of the councils' estimated costs as these form part of the IJB mobilisation costs. These are described at [paragraph 70](#).

54. After taking into account the above issues, we estimate that the beneficial announcements of revenue funding to councils meet 60 to 70 per cent of the estimated revenue costs at July 2020. However, some of this funding is ringfenced, with £236 million being allocated for specific purposes. For example, £65 million for the food fund and for free school meals. Councils may have cost pressures in other separate areas, which may not be met by this specific funding.

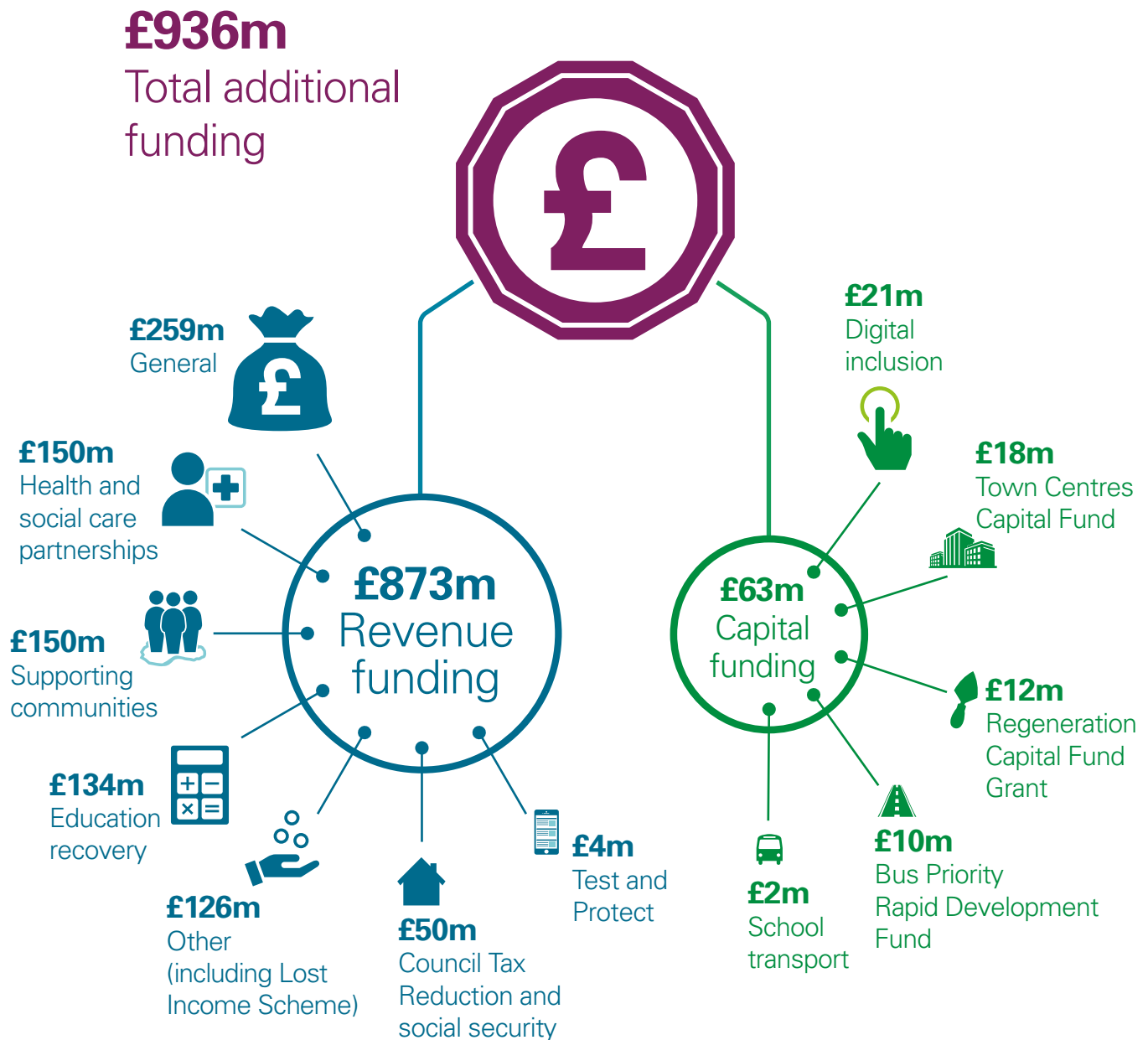
55. The effects of the Covid-19 pandemic continue to develop, as do projections of associated costs and funding.

As at November 2020, £936 million of Scottish Government Covid-19 support for councils had been either allocated or announced.

Exhibit 11

Scottish Government Covid-19 funding in 2020/21

Councils were allocated £936 million of additional Covid-19 funding in 2020/21 (November 2020).



Source: Scottish Government funding announcements and COSLA report



The Scottish Government has given councils additional financial flexibility to respond to the Covid-19 crisis

56. Councils have been given an additional package of spending powers and financial flexibility that the Scottish Government claims could be worth up to £600 million.⁵ This figure will apply if all councils are able to use all the new flexibilities, however COSLA does not consider this to be a likely scenario. Councils will need to consider the increased costs that may arise in future years and the effects of Covid-19 may impact on some areas, for example expected capital receipts. The new funding levers open to councils apply to Covid-19-related

pressures only and apply to this and the next financial year. Additional spending powers include the following:

- enabling the use of capital receipts to meet one-off revenue funding pressures, including Covid-19 related costs
- extending debt repayment periods over the life of the asset rather than the contract period
- allowing councils to take a repayment holiday in either 2020/21 or 2021/22 to defer internal loan fund repayments.

57. In addition to these measures, the Scottish Government has provided flexibility around the guidance for using the following specific funding:⁶

- Pupil Equity Funding
- Challenge Authority and Schools' Programme funding
- funding for Regional Improvement Collaboratives, allowing resource linked to this initiative to be repurposed to the Covid-19 response, and
- deploy early learning and childcare funding flexibly to deliver critical provision for children and families.

58. The extent of how these individual flexibilities may be used by each council, is yet unclear. Judgements will be required by each council and this may depend on the extent of unavoidable commitments already existing, for example in early learning contract commitments to parents.

Medium and long-term financial planning

The financial changes due to Covid-19 mean that councils need to review and revise their medium-term financial plans

59. Auditors have reported greater uncertainty in current financial planning arrangements at councils due to Covid-19. Medium term financial plans will now require revision at all councils to take into account additional financial pressures and updated funding arrangements, as well as consideration of updated savings requirements and financial assumptions.

Capital funding

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms

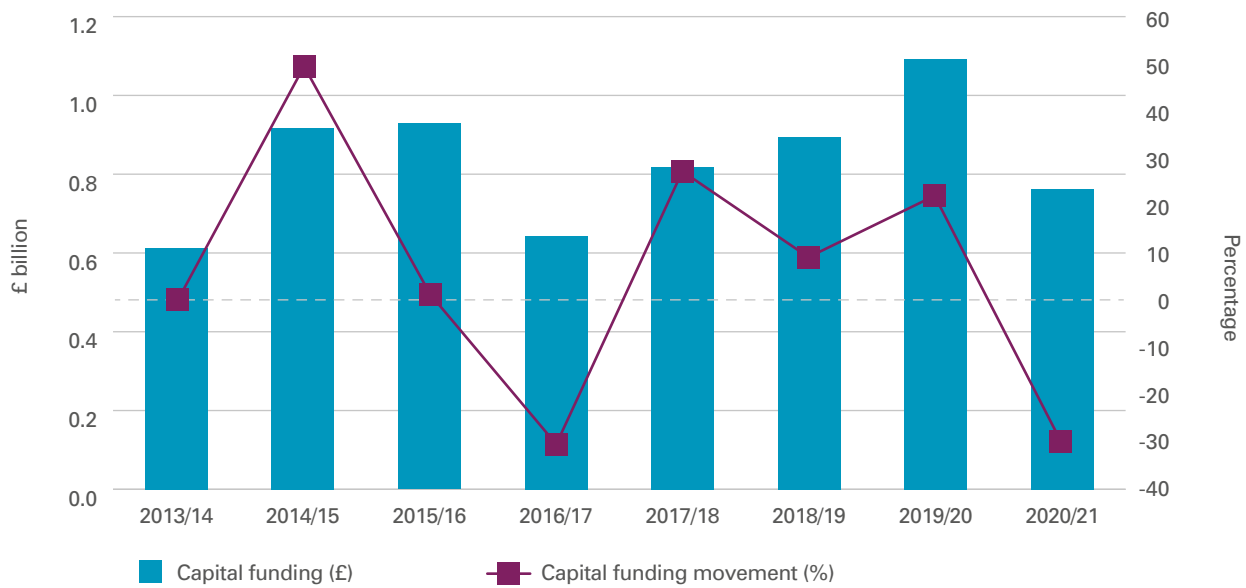
60. The Local Government capital settlement in 2020/21 decreased from £1.1 billion in 2019/20 to £0.8 billion. Capital funding had experienced significant increases in the past three years (33 per cent increase between 2017/18 to 2019/20). Total capital funding has now returned to levels more similar to those in 2017/18, in real terms ([Exhibit 12, page 29](#)). This could have a significant impact on councils' future investment plans.

Scottish Government capital funding in 2020/21 is decreasing by 30 per cent in real terms.

Exhibit 12

Real terms capital funding between 2013/14 and 2020/21 (excluding Covid-19 funding)

Scottish Government capital funding in 2020/21 (excluding Covid-19 funding) is decreasing by 30 per cent.



Source: Finance Circulars 04/2020 and Scottish Government budget documents

Integration Joint Boards

Key messages

- 1** A majority of IJBs (22 of 30) struggled to achieve break-even in 2019/20 or recorded deficits
 - 2** Total mobilisation costs for Health and Social Care Partnerships for 2020/21 are estimated as £422 million. It is not yet clear whether the Scottish Government is to fund all these costs
 - 3** Revisions will be required to medium-term financial plans to reflect the impact of Covid-19
 - 4** There were changes in chief officer at 12 IJBs in 2019/20
-

Funding and expenditure

In 2019/20 overall funding to IJBs increased by six per cent

61. Overall funding to IJBs, in 2019/20, increased by £0.5 billion (or six per cent) to £9.1 billion. Most of this increase is in health board contributions to the IJB.

Sixteen IJBs recorded deficits

62. Sixteen of the thirty IJBs reported a total deficit of £32 million in 2019/20, compared with only eight IJBs reporting a deficit of £11 million in 2018/19. Of the remaining IJBs, 13 reported a total surplus of £17 million and one reported a breakeven position.

A further six IJBs needed additional funding to achieve surplus or breakeven

63. Six of the IJBs that reported a surplus or breakeven position would not have achieved this without additional funding from partners. A total of thirteen IJBs had extra financial support from partners of £50 million. Without this, 22 IJBs would have reported a total deficit of £77 million (19 IJBs with a deficit of £58 million in 2018/19).


IJBs reported mixed performance against the achievement of savings targets in 2019/20

64. We reported last year that of the £208 million projected budget gap for 2019/20, 59 per cent of this was anticipated to be met by identified savings and 30 per cent by unidentified savings plans. Comparing this to actual performance and based on a sample of 22 IJBs, only four delivered 100 per cent of planned savings in 2019/20. Generally, there was significant variation in how IJBs performed against savings targets, with savings achieved ranging from 37 per cent at Aberdeen City IJB to 100 per cent at Inverclyde IJB.

IJB reserves have decreased in 2019/20

65. The IJBs' total reserves decreased by £15 million (9 per cent), to £143 million. This contrasts with a £34 million increase in reserves in 2018/19. Last year we reported that some of the increase in reserves was a result of IJBs holding unspent earmarked funding from the NHS, including those associated with Primary Care Improvement Fund and the Mental Health Strategy. The Scottish Government has advised health boards and IJBs that it expects these earmarked balances to be used before further funds are drawn down. Part of the decrease in reserves this year relates to the use of these specific funds ([Exhibit 13, page 32](#)).

66. Some of the more significant reductions include:

- Edinburgh IJB used reserves of £7 million to address a budget gap, as outlined in the recent Edinburgh City Council [Best Value Assurance Report](#)  (November 2020).
- Dumfries and Galloway and South Lanarkshire IJBs used up a significant element of specific reserves, including Primary Care Transformation and Mental Health programmes of work.

A majority of IJBs struggled to achieve break-even in 2019/20 or recorded deficits.



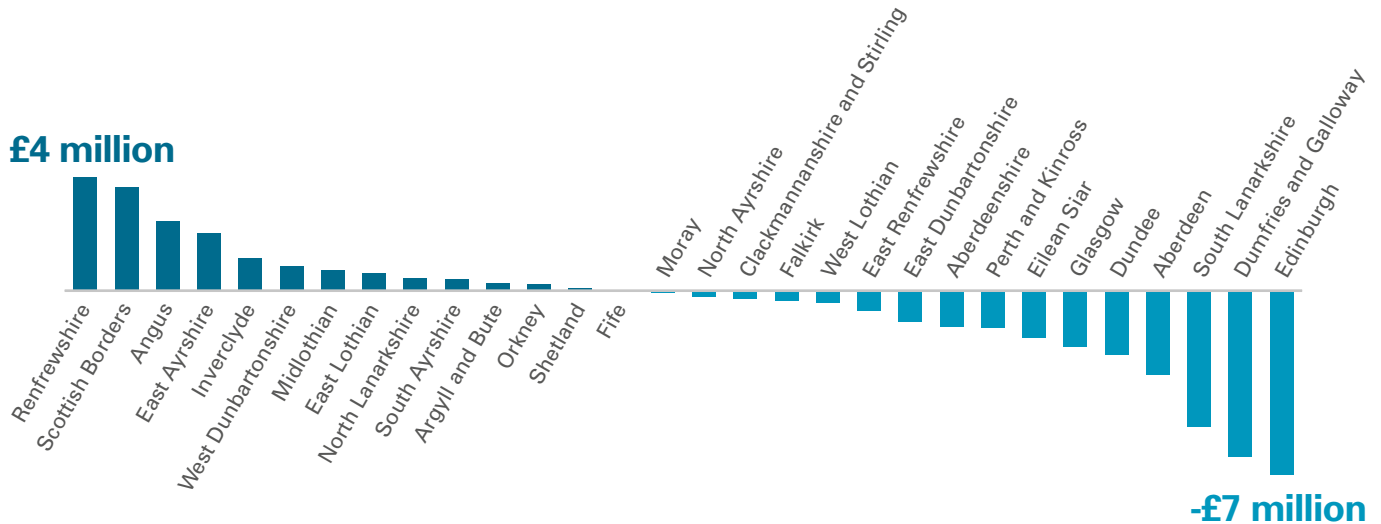
Best Value Assurance
Report: City of Edinburgh
Council

November 2020 

Exhibit 13

Individual movements in general fund reserves between 2018/19 and 2019/20

Sixteen IJBs reported a decrease in the general fund balance.



Source: Unaudited financial statements 2019/20, except where significant audit adjustments identified



Financial planning

More IJBs agreed budgets with partners before the start of the financial year

67. Previously we reported that eleven IJBs failed to agree a budget with their partners at the start of the 2019/20 financial year. This position improved for 2020/21, when only six IJBs had not agreed their budgets by 1 April. Auditors identified the main reasons for this as the impact of Covid-19 and the timing of partner bodies setting their budgets.

Prior to Covid-19 costs, the projected budget gap was £185 million for 2020/21

68. Auditors identified a total estimated budget gap of £185 million for 2020/21, representing 2 per cent of total projected net expenditure. This is an improvement in comparison to 2019/20 (£208 million). The 2020/21 budget gap as a proportion of total projected net expenditure varied between 0.6 and 5.7 per cent.

69. Of the £185 million budget gap, 62 per cent (59 per cent in 2019/20) was anticipated to be met by identified savings and 25 per cent (30 per cent in 2019/20) by unidentified savings plans. Five IJBs planned to cover part of the estimated funding gap from reserves.

Covid-19 related costs

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million

70. Financial data, provided to the Scottish Government by NHS Boards, shows estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships of £422 million for 2020/21. This projected total covers the full financial year and is based on returns submitted to NHS Boards by IJBs in the period June to September 2020. The main contributory factors to this are:

- additional costs for externally provided services, including PPE (£113 million)
- additional payments to Family Health Services contractors (£18 million) and prescribing (£15 million)
- additional temporary staff (£27 million)
- additional care home beds (£21 million)
- additional staff overtime and enhancements (£20 million)
- costs associated with Community Hubs (£27 million)
- homeless and criminal justice services (£10 million)
- mental health services (£10 million)
- expected underachievement of savings (£72 million), and
- loss of income (£24 million).

It is not yet clear if the Scottish Government will provide financial support to IJBs for the full impact of the pandemic

71. Several IJBs have included an assumption within budget papers and monitoring reports that the Scottish Government will provide financial support to cover all 'reasonable' expenditure included in cost submissions. However, there remains uncertainty around the extent to which the Scottish Government will fund these costs. Uncertainty of funding in care elements of the IJB has a significant impact on councils too, as the impact of costs and funding has been assumed to be neutral or excluded from council estimates.

72. At September 2020, the Scottish Government confirmed that £2.6 billion received in consequentials will be passed on for health and social care. This amount should be sufficient to cover the projected Covid-19-related revenue costs of £1.62 billion for health (£1.2 billion) and social care (£0.42 billion) for 2020/21.

73. In late September 2020, the Scottish Government announced additional funding of £1.1 billion to support the health and social care sector in dealing with Covid-19 related pressures. The funding will be allocated to NHS Boards and Health and Social Care Partnerships across Scotland to meet the costs of additional staffing or sickness expenditure, enhanced infection prevention and control measures, and the purchase of PPE. However, the basis for allocation to individual partnerships is not yet clear.⁷

As at October 2020, estimated total Covid-19 mobilisation costs for Health and Social Care Partnerships for 2020/21 were £422 million.

Revisions will be required to medium-term financial plans

74. More IJBs developed medium-term financial plans in 2019/20. Auditors reported that 26 had a medium-term financial plan in place. The impacts of Covid-19 could be significant for individual IJBs and medium-term financial plans will need to be revised to reflect this.

Wider governance issues

There were changes in chief officer at 12 IJBs in 2019/20 and instability of leadership continues to be a challenge

75. Auditors continued to identify significant changes in senior officers of IJBs. In 2019/20 there were changes in the chief officer at 12 of the 30 IJBs. Two-thirds of the chief officers who resigned left for a new role, either at another IJB (three chief officers) or elsewhere (five chief officers). There were also changes in chief finance officer at two of the IJBs. At Western Isles IJB (Curam is Slainte nan Eilean Siar) the absence of a chief officer has contributed to delays in strategic planning and issues with workforce planning.

Some IJBs did not review their integration scheme due to Covid-19

76. The Public Bodies (Joint Working) (Scotland) Act 2014 sets out that IJBs have a statutory duty to review their integration scheme within a five-year period. Auditors reported that six IJBs had not reviewed their integration scheme within the required timeframe. In all cases, Covid-19 was noted as a reason for the delay.

Instability of leadership continues to be a challenge for IJBs.


Endnotes

- 1 COSLA returns (3 month and full year returns) – based on 29 councils. Cost projection ranges were derived for the missing councils. Please note that this also includes the loss of the £6 million dividend from Lothian Buses.
- 2 Debt is total outstanding borrowing and other liabilities, including assets acquired through Private Finance Initiative (PFI), Public Private Partnership (PPP) and Non-Profit Distributing (NPD) models.
- 3 Excludes additional costs due to the decision to re-open schools and early years establishments full-time from 11 August 2020, as the cost collection exercise was conducted prior to this.
- 4 Scottish Government announcement (<https://www.gov.scot/news/gbp-1-billion-business-support-fund-opens/>)
- 5 Scottish Government announcement (<https://www.gov.scot/news/supporting-local-government-recovery>)
- 6 Scottish Government announcement (<https://www.gov.scot/publications/coronavirus-covid-19-letter-to-local-authorities-regarding-education-and-early-learning-and-childcare-funding-flexibility>)
- 7 The IJB is a separate legal entity, responsible for the strategic planning and commissioning of the wide range of health and social care services across a partnership area. Health and Social Care Partnerships are the partnerships that deliver services based on decisions made by the IJB.

Local government in Scotland

Financial overview



2019/20

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