



# East Dunbartonshire Council

**Annual Accounts**

**2017-18**



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**East Dunbartonshire Council**

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## Management Commentary

East Dunbartonshire Council lies to the north of Glasgow, bounded by the Campsie Fells and the Kilpatrick Hills. It is a strategically significant location for economic, social and environmental development with the Council serving as a gateway to the Highlands through the West Highland Way and eastwards through the Kelvin Valley.

With a population of approximately 108,130, East Dunbartonshire is in the mid-range of Scottish local authorities in terms of its population and covers an area of 77 square miles. The Council area is comprised of an attractive mixture of urban and rural areas including those in and around Bearsden, Bishopbriggs, Kirkintilloch, Milngavie, Lenzie, Milton of Campsie, Lennoxton, Torrance and Twechar.

In overall terms the Council's population is expected to grow. However, such growth is not uniform throughout age groups with East Dunbartonshire anticipating significant increases in the number of residents of a pensionable age. Less marked population growth is anticipated within the number of young children within the area with a small decrease anticipated within those adults of a working age. Such demographic profiles continue to highlight the challenges and pressures likely to manifest in the future with Organisational Transformation seeking to shape Council services to deliver against the likely demand pressures.

East Dunbartonshire is made up of 22 locally elected Councillors covering seven wards. These elected Members constitute the Council with Officer Structures cascading from the Chief Executive, as the Head of Paid Service, to two Deputy Chief Executives, Strategic Leads and operational teams. The structure of the Corporate Management Team (CMT) and Senior Management Team (SMT) was approved at a Special Council meeting on 17 May 2016. Further information on the Council's leadership structure is provided within the Remuneration Report also included within these Annual Accounts.

### Objectives and Strategy

There is a strong tradition of effective partnership working in East Dunbartonshire. This has delivered successful outcomes for the area. The East Dunbartonshire Community Planning Partnership (ED CPP) involves partner organisations working together to ensure effective use of resources, engagement with the community, and the delivery of services. These interactions improve the lives and outcomes of people across East Dunbartonshire. The ED CPP updated their Local Outcomes Improvement Plan (LOIP) in 2017, which meets the requirements of the *Community Empowerment (Scotland) Act 2015*. Through the delivery of the LOIP, the Council and their partners continue to demonstrate improvement, focusing on reducing disadvantage across the authority and achieving the vision for East Dunbartonshire:

- *Working together to achieve the best with the people of East Dunbartonshire.*

Whilst much has been achieved to date, the nature, timing and extent of the challenges continue to change and grow, in both size and complexity. The economic downturn and on-going austerity measures continue to affect our local communities with associated impact on Council services. The history of financial constraint within the Public Sector is such that it continues to be vital that resources are targeted in an effective, economic and efficient way and that the Council, in conjunction with Partners, can continue its work to address the inequalities within our communities.

In developing our response, the Council has undertaken a rigorous analysis of local needs, and engaged widely across all communities. This has enabled us to clearly identify the specific issues, which affect people and communities across East Dunbartonshire. The Council recognises that working with our people and communities is central to the achievement of our outcomes, and is reflected in the *Community Empowerment (Scotland) Act 2015*.

Through the revised LOIP for 2017-2027, the focus will be towards delivery of the following outcomes:

- East Dunbartonshire has a sustainable and resilient economy with busy town and village centres, a growing business base, and is an attractive place in which to visit and invest
- Our people are equipped with knowledge, skills for learning life and work
- Our children and young people are safe, healthy and ready to learn
- East Dunbartonshire is a safe place in which to live, work and visit
- Our people experience good physical and mental health and wellbeing with access to a quality built and natural environment in which to lead healthier and more active lifestyles
- Our older population and more vulnerable citizens are supported to maintain their independence and enjoy a high quality of life, and they, their families and carers benefit from effective care and support services

Progress towards achieving these outcomes is measured through a range of high-level performance indicators. For the Council, this is achieved corporately through the three-year cycle of Business Improvement Plans, quarterly How Good is Our Service Reports and Annual Public Performance Reports. The Community Planning Partnership Board has overall responsibility for the delivery of these outcomes. They receive annual monitoring on LOIP progress against the high-level indicators as well as detailed 12-18 month qualitative and quantitative reviews on each local outcome. This comprehensive approach to ongoing, systematic monitoring tracks performance, supports transparent scrutiny and is used to demonstrate ongoing improvement and/or reflect the ongoing challenges within East Dunbartonshire.

### **Key Risks, Uncertainties and Financial Pressures**

The Council has an established and comprehensive risk management process, which is constituted by the Corporate Risk Register and supported by operational risk registers for each strategic area. These risk registers are subject to regular scrutiny and updated to reflect evolving risk exposures within the Council.

Risk registers continue to reflect significant challenges over the short, medium and long term with financial pressures, technological developments partnership demands, demographic factors, public policy developments, and political direction all adding to the risks and uncertainty within the Local Government Sector.

The need to manage risks relating to public sector austerity and reducing financial resources, within an environment of increasing demand for services, and driven by demographic change is one of the key challenges and risks for the Council. Such pressures have required the significant and ongoing reshaping of service delivery with the Council taking this forward as part of the Transformation Programme, Strategic Planning & Performance Framework and associated Budget Reduction Strategy. Delivery against these also represents a key risk and, despite the Council's response to meet these challenges, ongoing austerity and real terms reductions in grant funding continues. The Council has a clear plan for the required next steps with further transformation being implemented to shape the future delivery of Council services. Key Corporate Risks and areas of uncertainty include the following:

- **Changing Demographics** are manifest within areas such as homecare and care home budgets but also within areas such as accommodated, looked after children. Meeting such pressures will be addressed in partnership with East Dunbartonshire Health and Social Care Partnership (HSCP) however, the risks associated with adverse budget variances continues to be significant.
- **Inflation** — limited provision is available to address price movements within budget settlements. Containing spend pressures will be difficult in areas like care home fees, recycling charges and increasing utility costs.
- **Scottish Government Funding** — Council specific information on levels of revenue grant funding is not available beyond 2018/19, resulting in uncertainty for forward planning.
- **Welfare Reform** — provision has been made for services and sources related to Welfare Reform, Discretionary Housing Payment and Universal Credit are key factors. The reforms are still being rolled out nationally and has the potential to impact clients.

## Key Achievements in 2017/18

During the 2017/18 financial year, the Council has continued to deliver on its strategic objectives with the following key achievements being highlighted during the year:

- The successful opening of Holy Trinity Primary School in Kirkintilloch and Thomas Muir Primary School in Bishopbriggs, the latest two schools in the Primary School Improvement Programme (PSIP). Work also continues to progress on time for the new St Nicholas's Primary School in Bearsden.
- The official opening of Kilmardinny House in Bearsden following a successful £2.730m extension and refurbishment programme.
- The delivery of Huntershill Sports Hub, a new state of the art community sports facility in Bishopbriggs.
- Successful completion of the multi-million pound refurbishment of Kirkintilloch Town Hall with its 'Made in Kirkintilloch' heritage and learning space.
- The completion of Auchinairn Early Years and Community Centre, the latest facility delivering the Council's 'Place' approach to ongoing community support and intervention.
- Recognition for excellence and equity in education and attainment in schools across the authority.
- The continued commitment to early careers with the Council through mainstreaming the Grad+ programme and further supporting the continuation of its Modern Apprenticeship programme.



## Financial Performance for 2017/18

The Council's financial performance is presented in these Annual Accounts. An explanation of the main financial statements, their purpose and the relationship between them is provided on page 28. The Council reports its financial performance separating its General Fund and Housing Revenue Account as is required by legislation.

All financial outcomes for 2017/18 are analysed in detail within the Annual Accounts with supporting detail to each of the key financial outcomes for the financial year.

- The Council's Unallocated General Fund Balance as its main Contingency Reserve which totalled £4.620m last year has been increased to £4.870m. This provides for additional resilience and approximates to 2% of the General fund budget.
- Maintaining the Council's Prudential Reserve at a level of £3.000m whilst allowing for known pressures to be earmarked and providing additional resilience.
- Maintaining Treasury Management Reserves to provide stability delivering the capital programme.
- Funding of all liabilities and commitments by appropriate provisions and earmarking with further information being set out in *Note 24 Provisions* and *Note 25 Usable Reserves*.
- Ensuring that Capital investment plans remain affordable and deliverable with the regular cycle of reports including the Treasury Management Strategy, Interim Report and Outturn Report providing elected Members with consolidated information throughout the year.
- Ensuring that revenue collection targets continue to be prudent and attainable with figures presented in the ratio analysis continuing to reflect a sustained good performance in this area.

## a) General Fund Performance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. Government grants, fees & charges, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) and interest/returns on investments provide resources for the General Fund. The General Fund is split between uncommitted balances (the level of funding available to the Council to manage financial risks and unplanned expenditure) and balances that have been earmarked for specific purposes.

### Principal Sources of Finance

As noted above the principal sources of finance are the General Revenue Grant, Council Tax income and Non-Domestic Rate income. **Table 1** below shows a comparison of the principal sources of finance compared with the previous financial year; further analysis of this information is included in the ratio analysis later in this Commentary.

**Table 1** shows that the General Revenue Grant, provided by the Scottish Government, is the Council's main source of funding. The settlement for 2017/18 was provided based on a single rather than multi-year settlement. Single year settlements do not provide certainty regarding future funding levels, represent a significant risk for the Council and limit the effectiveness of longer term financial planning. The level of Council Tax is set by the Council and is the most significant funding source over which local authorities have control.

**Table 1: Principal Sources of Finance within the Council**

| 2016/17        | Principal Source of Finance | 2017/18        |
|----------------|-----------------------------|----------------|
| £000           |                             | £000           |
| 159,542        | General Revenue Grant       | 159,146        |
| 51,302         | Council Tax                 | 58,042         |
| 25,550         | Non-Domestic Rates          | 23,586         |
| <b>236,394</b> |                             | <b>240,774</b> |

The net income from Non-Domestic Rates (NDR), after deduction of reliefs, is retained by the Council in addition to the NDR distributed as grant funding from the national NDR pool. Total NDR raised to support the Council's expenditure in 2017/18 was £23.586m (£25.550m in 2016/17). Further details are provided in the Non-Domestic Rates income account.

Additional Grant – The Scottish Government has provided an extra £34.5m grant in GRG across Scotland in 2017/18 for use in 2018/19. As their finance circular 4/2018 does not include conditions or stipulate that the grant may only be spent in 2018/19, it has to be recognised in 2017/18. East Dunbartonshire's share of the £34.5m is £0.715m and is included in the earmarked reserve. The additional funding will be drawn down and spent during 2018/19.

### General Fund Outturn

The 2017/18 General Fund budget included a requirement for the Council to achieve savings of £11.4m. The implementation of management efficiency actions, budget reductions and income generation options resulted in savings of approximately £9.087m being delivered during the course of the financial year.

**Table 2** highlights how the Council returned a net deficit for the year of £0.441m within the General Fund services. This deficit was generated despite the Council's efforts to reduce financial pressures through the delivery of sustained Organisational Transformation, with associated budget reduction strategies and application of the 'Call, Click, Come In' model of customer service delivery. In addition, the decision to increase Council Tax by 3% protected Council Services with in-year collection rates being sustained at over 97%. Table 2 is required to assist in "telling the story" of the Annual Accounts with a number of presentational changes now being required as part of the *2017/18 Local Authority Code of Practice*. This table now shows the variation between what is reported through the Council's Service Committees and the requirements of the Expenditure and Funding Analysis in **Note 1** of these Annual Accounts.

**Table 2: General Fund Revenue Outturn (Per Outturn) Reconciled to EFA**

| Detailed Analysis of Net Service Outturns                          | Final Outturn Report | Adjustments for internal reporting purposes* | Net Expenditure Chargeable to the General Fund | Final Budget   | Variance For Management Reports |
|--|----------------------|--|--|----------------|---------------------------------|
|  | £'000                | £'000  | £'000  | £'000          | £'000                           |
| Chief Executive, Depute Chief Exec's, Joint Boards & Miscellaneous | 12,297               | 1,504  | 13,801   | 12,556         | (259)                           |
| Assets & Facilities  | 12,490               | 56   | 12,546   | 11,041         | 1,449                           |
| Roads & Transportation   | 3,812                | 0  | 3,812  | 3,660          | 152                             |
| Neighbourhood Services   | 13,663               | (560)  | 13,103   | 14,340         | (677)                           |
| General Fund Housing   | 1,523                | 180  | 1,703  | 1,870          | (347)                           |
| Land, Planning & Development                                       | 760                  | 1  | 761  | 1,010          | (250)                           |
| Place & Community Planning   | 3,315                | 17   | 3,332  | 3,960          | (645)                           |
| Education  | 108,943              | (9,885)                                      | 99,058   | 111,348        | (2,405)                         |
| Finance, Audit & Performance                                       | 3,861                | 133  | 3,994  | 3,362          | 499                             |
| Legal & Democratic Services  | 2,202                | 2  | 2,204  | 2,723          | (521)                           |
| Organisational Transformation                                      | 3,261                | 96   | 3,357  | 3,689          | (428)                           |
| Customer & Digital Services  | 8,321                | 60   | 8,381  | 8,068          | 253                             |
| Health & Social Care Partnership                                   | 50,680               | 1,415  | 52,095   | 50,680         | 0                               |
| <b>General Fund Net Expenditure</b>                                | <b>225,128</b>       | <b>(6,981)</b>                               | <b>218,147</b>                                 | <b>228,307</b> | <b>(3,179)</b>                  |
| Debt charges   | 15,217               | (6)  | 15,211   | 15,423         | (206)                           |
| <b>Total GF Net Expenditure</b>                                    | <b>240,345</b>       | <b>(6,987)</b>                               | <b>233,358</b>                                 | <b>243,730</b> | <b>(3,385)</b>                  |
| Government Grants & Council Tax                                    | (240,763)            | 9,839  | (230,924)                                      | (238,670)      | (2,093)                         |
| Application of Reserves  | (1,993)              | 0  | (1,993)  | (5,060)        | 3,067                           |
| <b>Net (Surplus)/Deficit for Year</b>                              | <b>(2,411)</b>       | <b>2,852</b>                                 | <b>441</b>                                     | <b>0</b>       | <b>(2,411)</b>                  |
| Balance 1 April 2017   |                      |  | (17,551)                                       |                |                                 |
| Application of general fund balance                                |                      |  | 4,882  |                |                                 |
| Other Transfers in 2017/18   |                      |  | (4,877)  |                |                                 |
| Net (Surplus)/Deficit for Year                                     |                      |  | 441  |                |                                 |
| <b>Balance 31 March 2018</b>                                       |                      |  | <b>(17,105)</b>                                |                |                                 |

During 2017/18, the Council continued to face significant financial pressures. The most significant of these were the savings that had been identified in the year relating to the Health & Social Care Partnership (HSCP). The final overspend within the HSCP was met by their own reserves but this will continue to present a significant risk to the Council. The Movement in Reserves Statement shows an overall net decrease in the total General Fund balance of £0.446m for the year, representing the movement in total balances from £17.551m in the prior year to £17.105m at the end of 2017/18. This is shown above in **Table 2** with further analysis being reflected in **Table 3** below.

**Table 3: Movement in Uncommitted Balances**

| General Fund Balances              | Uncommitted Balances<br>£000 | Earmarked Balances<br>£000 | Total Balances<br>£000 |
|------------------------------------|------------------------------|----------------------------|------------------------|
| <b>Balance B/Fwd 1 April 2017</b>  | <b>(11,704)</b>              | <b>(5,847)</b>             | <b>(17,551)</b>        |
| Movement in 2017/18:               |                              |                            |                        |
| Net Increase in Balances 2017/18   | (250)                        | (4,627)                    | (4,877)                |
| Use of Balances 2017/18            | 750                          | 4,573                      | 5,323                  |
| <b>Balance C/Fwd 31 March 2018</b> | <b>(11,204)</b>              | <b>(5,901)</b>             | <b>(17,105)</b>        |

During the course of the year, uncommitted balances have decreased to £11.204m albeit earmarked elements have increased slightly to £5.901m. The movement in Earmarked General Fund balances of £0.054m is outlined in **Note 25**, which reflects the movements attributable to, for example, previous financial commitments that have been, or are in the process of being finalised.

Reflecting on the financial risks associated with the ongoing reduction in funding levels the Council continues to plan to ensure financial resilience sustains its Contingency Reserve, whilst managing the Prudential Reserve to allow for



additional earmarked elements. Such action will allow future flexibility, sustain financial resilience and provide a position that seeks to enable the Council to manage future financial risks.

### **b) Housing Revenue Account Performance**

Housing Revenue Account performance reflects the overall position that the income generated during the course of the year funded the running costs. This included financing of £4.102m of capital expenditure (2016/17 £3.017m). The total income generated from council house and homeless rents was approximately £13.106m (2016/17 £12.891m).

The final outturn position for the year was an increase in the surplus of £0.523m against a prior year increase of £1.163m. Further analysis being provided in **Table 4** below.

**Table 4: Housing Revenue Account**

| Housing Revenue Account Balance      | £000           |
|--------------------------------------|----------------|
| <b>Opening balance 1 April 2017</b>  | <b>(3,217)</b> |
| <b>Movement in 2017/18:</b>          |                |
| Adverse/(Positive) Variances         | (523)          |
| Application of HRA balance           | 0              |
| <b>Closing balance 31 March 2018</b> | <b>(3,740)</b> |

Overall, the majority of operational costs showed favourable variances at the year-end as a result of effective financial management throughout the year. The closing surplus for the Housing Revenue Account (HRA) is £3.740m (2016/17 £3.217m). This is available to meet a number of ongoing commitments, and to provide financial resilience against future pressures.

### **c) Group Accounts**

Where Local Authorities have a material interest in other organisations, they are required to prepare group accounts in addition to their own Financial Statements. The group accounts consolidate the Council's Financial Statements, the Common Good & Trust Funds and six other entities, including two subsidiaries: East Dunbartonshire Leisure and Culture Trust Limited and Mugdock Country Park Joint Committee. The effect of combining these entities on the Group Balance Sheet is to increase reserves and net assets by £18.718m, creating an overall net asset of £360.866m. This includes the combined pension liability of these organisations similar to that of the Council. However, as there is no reason to suggest the future funding to these organisations will not continue, the accounts have been prepared on a going concern basis.

### **d) Capital Finance**

The level of capital spend undertaken by local authorities is governed by the provisions of The Prudential Code for Capital Finance in Local Authorities developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code gives the Council responsibility to set its own limits for capital expenditure and sets prudential indicators, which are monitored to ensure that borrowing is only incurred for capital expenditure purposes. These indicators support prudent decision-making and assist in securing affordable and financially sustainable investment and borrowing activities undertaken by the Council.

## Capital Expenditure and Income 2017/18

The Council's priorities for Capital Expenditure are set out within the 10 Year Capital Investment Plan, which establishes the major assets projects for the year. During the course of the year the Council delivered a significant programme of capital works with £38.179m of capital expenditure being applied; a figure that approximates to 100% of the budget anticipated at the start of the financial year. Some of the most significant capital projects undertaken during the year are highlighted in below.

- Bishopbriggs Relief Road - £2.310m
- St Andrew's and St Joseph's Primary Schools - £7.345m
- Bishopbriggs War Memorial Hall Refurbishment - £2.488m
- Roads and Footways - £3.646m
- Auchinairn Place Project - £3.920m

Capital expenditure is split between the General Services Capital Budget, detailed above, and the Housing Services Capital Budget. Both were approved by Council March 2017, with the General Services Capital Budget being informed by the review of the ten year Investment Plan; the plan for the Housing capital budget is separately informed by the long term housing business plan. Whilst the General Services programme was generally delivered as planned, expenditure on Housing capital was lower than the original budget. This mainly relates to slippage on the new build programme, with a number of projects starting later than planned due to delays in delivery of key infrastructure, and pre-planning consultations. Further underspends are noted on Mortgage to Rent, render pilot and the central heating programme.

A more detailed explanation of the capital variances for both General Fund and Housing capital programmes is presented in the final outturn report 2017/18. A summary of Capital Expenditure and Income for both General Services and Housing is shown in **Table 5**, this reflects the required balance funded from borrowing; additional analysis is included within **Note 14**.

**Table 5: Capital Expenditure and Income**

|                              | Budget<br>£000 | Outturn<br>£000 | Under<br>(Overspend)<br>£000 | Underspend<br>% Budget |
|------------------------------|----------------|-----------------|------------------------------|------------------------|
| <b>Capital Expenditure</b>   |                |                 |                              |                        |
| General Services             | 37,893         | 38,179          | (286)                        | 0.8%                   |
| Housing Capital              | 13,929         | 7,405           | 6,524                        | (46.8%)                |
|                              | <b>51,822</b>  | <b>45,584</b>   | <b>6,238</b>                 |                        |
| <b>Capital Income</b>        |                |                 |                              |                        |
| General Services             | 17,802         | 17,541          | 261                          | (1.5%)                 |
| Housing Capital              | 9,399          | 6,998           | 2,401                        | (25.5%)                |
|                              | <b>27,201</b>  | <b>24,539</b>   | <b>2,662</b>                 |                        |
| <b>Funded from borrowing</b> | <b>24,621</b>  | <b>21,045</b>   | <b>3,576</b>                 | 14.5%                  |

## Capital Financing Requirement

The Capital Financing Requirement is a measure of the capital expenditure incurred historically by the authority that can be financed by external debt. This was £298.316m at 31 March 2018 (2016/17 £289.343m). The outturn capital financing requirement compared to the actual external borrowing is shown in **Table 6** below.

**Table 6: Capital Financing Requirement**

|                               | 2017/18<br>£000 |
|-------------------------------|-----------------|
| Actual External Borrowing     | 182,558         |
| PPP/Finance Lease Liability   | 84,370          |
|                               | <b>266,928</b>  |
| Capital Financing Requirement | 298,316         |
| <b>Under Borrowed</b>         | <b>31,388</b>   |

Actual external borrowing and long-term liabilities are less than the capital financing requirement by £31.388m (£35.055m 2016/17), indicating that the Council is reporting a decreased under-borrowing position. This means that the Council's capital borrowing requirement has not yet been fully funded with loan debt. Although this has been the position for a number of years now, it has been recognised that this is not sustainable in the long term. The Council's Treasury Management Strategy includes a plan to address this over the medium to long term. The Council has continued to use cash from reserves and balances where available to support capital programmes, which is still a short term, prudent strategy in the current economic environment where investment returns are low. This position continues to be monitored as part of the overall treasury management strategy.

#### e) Borrowing

The operational boundary for external debt for the Council for 2017/18 was £289m (2016/17 £290m). The actual level of outstanding long and short-term debt, including long-term liabilities at the year-end totalled £267m (2016/17 £254m). At 31 March 2018, the Council had borrowing of £182m (2016/17 £168m), comprising long-term borrowing of £150m (2016/17 £145m), and short-term borrowing (repayable within 12 months) of £32m (2016/17 £23m). The short-term borrowing includes accrued interest on long-term loans of £2.0m (2016/17 £1.9m). The average interest rate for all loans was 4.252% (2016/17 4.687%). The Council paid £7.804m (2016/17 £7.891m) of interest and similar charges on external loans and received £0.035m (2016/17 £0.179m) of interest and investment income.

#### f) Balance Sheet as at 31 March 2018

The Balance Sheet (page 31) sets out the total net worth of East Dunbartonshire Council at 31 March 2018. When comparing the net worth of the Council at the date of the last Balance Sheet on 31 March 2017 it can be seen that there has been an overall increase in the net worth of the authority of £92.985m in the past 12 months.

**Table 7: Movement in Net Worth**

| Movement in Year      | £000          |
|-----------------------|---------------|
| Long-term Assets      | 17,340        |
| Current Assets        | 5,926         |
| Current Liabilities   | (14,078)      |
| Long-term Liabilities | 83,797        |
| <b>Net Movement</b>   | <b>92,985</b> |

Movements in the net worth of the Council are attributed to:

- **Long-term Assets** - increase in long term assets mainly due to asset revaluations in property, plant & equipment
- **Current Assets** - increase in current assets as a result of holding short term investments & cash deposits consistent with treasury management strategy
- **Current Liabilities** - increase due to additional borrowing undertaken during 2017/18
- **Long-term Liabilities** – there has been a decrease of £85.151m relating to pension liabilities

#### g) Pension

The impact of the Local Government Pension Scheme and Scottish Teachers' Superannuation Scheme on the Council's accounts has been disclosed in **Notes 32 and 33** to the accounts.

As at 31 March 2018, the Council's Pension Fund had a net pension liability of £130m (2016/17 £216m). This figure represents the amount that actuaries estimate that East Dunbartonshire Council will have to pay out in future years for all pension entitlements earned by current and previous staff by 31 March 2018, which is currently unfunded.

There is a significant change in 2017/18 due to re-measurements, including decreases in the forecast mortality and salary increase rates and changes in the valuation of assets and liabilities due to the 2017 formal valuation.

We continue to monitor and measure this pension liability and make changes to cash contributions as required as part of the regular assessment made by an independent actuary.

## h) Accounting Ratios

CIPFA Scotland Directors of Finance Section has developed a suite of accounting ratios for incorporation into the Annual Accounts. The ratios are intended to assist stakeholders in evaluating the Council's financial sustainability and the affordability of financial plans. These can be seen in **Table 8**.

**Table 8: Accounting Ratios**

| Accounting Ratio  | 2017/18<br>% or £ | 2016/17<br>% or £ | Explanation   |
|---|-------------------|-------------------|---|
| <b>Reserves</b>   |                   |                   |   |
| Uncommitted General Fund Reserves as a % of annual budgeted net expenditure | 4.6%              | 5.0%              | Demonstrates the Council's flexibility to meet unanticipated expenditure, and the Council's commitment to increase reserves when it is able to do so. |
| Movement in the Uncommitted General Fund Balance                            | -4.3%             | 22.0%             | Reflects continued increase in the uncommitted resources available within the General Fund Balance.   |
| <b>Council Tax</b>  |                   |                   |   |
| In-year Collection Rate   | 97.0%             | 96.8%             | Demonstrates the Council's effectiveness in collection of local taxation.   |
| Council Tax Income as a % of Overall Revenue Funding                        | 24.1%             | 21.7%             | Demonstrates the funds received from Council Tax as a % of overall funding requirement.   |
| <b>Financial Management</b>   |                   |                   |   |
| Actual Outturn as a % of Budget   | 98.0%             | 99.6%             | Demonstrates actual expenditure under budget improving the Council's financial position at the year end.  |
| Actual Contribution to/from Uncommitted General Fund Balance                | £-0.5m            | £1.8m             | Demonstrates the Council's application of reserves to support Council decisions during the year.  |
| <b>Debt &amp; Borrowing</b>   |                   |                   |   |
| Capital Financing Requirement   | £298.3m           | £289.3m           | This is the amount of unfunded capital expenditure.   |
| External Debt Levels  | £266.7m           | £254.3m           | The amount of external debt held by the Council. Reduced from last year, due to debt maturities, and use of internal resources.                       |
| Ratio of Financing Costs to Net Revenue Stream - General Fund               | 10.5%             | 10.9%             | Demonstrates how much of the General Fund revenue budget is tied up in supporting borrowing   |
| Ratio of Financing Costs to Net Revenue Stream - Housing Revenue            | 17.2%             | 19.6%             | Demonstrates how much of the housing revenue budget is tied up in supporting borrowing  |

## Future Developments and Financial Planning

The ongoing period of public sector austerity, reflecting the reduction in the overall level of UK public sector expenditure, is anticipated to extend over the medium term review and until 2022/23. At the end of May 2018, as part of the revised Parliamentary budget process the Scottish Government published its first Medium Term Financial Strategy report. At the time of writing, this publication is relatively new and the full impact on Local Government has yet to be fully assessed. However with key spending priorities continuing to reflect financial commitments to Health, Police, Early Learning & Childcare, Attainment, Higher Education and Social Security there is the potential for the remaining funding, the majority of which relates to Local Government, to decline. The Council continues to anticipate that there will be no cash terms increases in budgets to 2022/23, which is equivalent to a real terms, cut of around 2% per year.

For the financial year 2018/19 and for Scotland as a whole, the General Revenue Grant and Non-Domestic Rates settlements for 2018/19 were lower than anticipated. The Council's allocation reflected a worst-case scenario within its planning assumptions and this in turn required the Council to address the most significant funding gap within

recent history as part of its budget. The Council continues to undertake financial planning both in the medium term and beyond, incorporating and evaluating risks, uncertainties and financial pressures to reflect good financial management practices. These assumptions were revised as part of the budget setting process and will be updated over the summer to reflect the Scottish Government's new Medium Term Financial Strategy.

Future challenges include the potential impact resulting from funding pressures on high priority budgets outwith Local Government. In addition, single year financial settlements will continue. This limits the effectiveness of financial planning with certainty only being provided for one year. The Council includes such considerations within its medium and longer term financial plans; however, the impact remains uncertain and as such will continue to represent a significant source of risk.

Within Council services, the reduction in funding comes at a time of sustained cost pressures and demographic demands on our services. Despite such challenges Council performance has largely been sustained during which time services have been reshaped to provide a more efficient and effective model of delivery. The Council continues to anticipate demand pressures alongside ongoing financial austerity, sustained reductions in funding and increased cost pressures.

Work within the Strategic Planning and Performance Framework continues with ongoing transformation activities and budget reductions being specified to both meet expectations and bridge the financial gap. This will continue to be a key organisational principle to ensure that services can continue to reflect the principals of Best Value and reshape service delivery within a reduced financial settlement.

The savings approved for 2018/19 will be challenging to achieve, and will be delivered through themed transformation work streams including financial management, maximising internal efficiencies, insourcing, digital transformation & income generation. The 2018/19 budget allocated across Strategic Leads is shown in **Table 9** with this forming the baseline for reports to the Council's Policy and Resources Committee.

**Table 9: 2018-19 Budget Allocations**

| Strategic Area                             | 2018/19 Budget<br>£000 |
|--|------------------------|
| Depute Chief Executive - EP&B              | 120                    |
| Education                                  | 111,769                |
| Health and Social Care Partnership         | 51,942                 |
| Organisational Transformation              | 3,504                  |
| Finance, Audit & Performance               | 3,228                  |
| Customer & Digital                         | 8,599                  |
| Legal & Democratic                         | 2,176                  |
| Depute Chief Executive - PNCA              | 4,927                  |
| Roads & Transportation                     | 4,048                  |
| Neighbourhood Services                     | 14,560                 |
| General Fund Housing                       | 1,452                  |
| Assets & Facilities                        | 11,901                 |
| Land & Planning                            | 1,007                  |
| Place & Community                          | 3,459                  |
| Chief Executive/Miscellaneous/Joint Boards | 4,118                  |
| Debt Charges                               | 15,424                 |
|  | <b>242,234</b>         |

Despite the above challenges, the Council has continued to invest in the upgrading of its facilities. During 2017/18, the Council has completed and opened both Thomas Muir and Holy Trinity Primary Schools. In addition, the multi-million pound refurbishment and extension of Kirkintilloch Town Hall completed in late 2017 with the building opened to the public in April 2018.

Works to remodel the existing Bishopbriggs Library to create the new Bishopbriggs Library and Community Hub have been completed with the phased opening of the new facility taking place towards the end of the year in March & April 2018.

In establishing the Council's Strategy, objectives, business model and having considered the risks, uncertainties, financial sustainability, assessed indicators and noting future developments what remains of is the need to demonstrate that the work of the Council improves outcomes for the people of East Dunbartonshire. This is key to

demonstrating Best Value and validates the work of the Council in leading and supporting the delivery of the Local Outcome Improvement Plan.

Performance against Local Outcomes is assessed on a regular basis to ensure delivery. Benchmarking against other Councils takes place as part of the Local Government Benchmarking Framework (LGBF). Within this framework and at a national level the Improvement Service continue to reflect that, despite ongoing austerity, Councils have generally sustained and improved levels of performance. However, in their national report, the Improvement Service highlight that those indicators based on 'customer satisfaction' are declining and with only 33% of satisfaction indicators improving since the baseline year, this trend is reflected within East Dunbartonshire. By contrast, however, 80% of 'service performance indicators' and 67% of 'cost indicators' have improved and, when benchmarked with other Councils, performance has improved or sustained in 59% of all indicators. With 38% of all our indicators within the top quartile and only 17% in the bottom quartile, Council performance continues to reflect tangible improvements both year on year and as compared to the rest of Scotland. In terms of demonstrating Best Value, this is a strong indicator and validates the Council commitment to improved outcomes highlighted above.

## Other Significant Information

### a) Sickness Absence

The average number of working days per employee lost through sickness absence for teachers was 4.96 days (2016/17 5.27 days). For all other local government employees the average was 11.77 days (2016/17 11.81 days).

### b) Personal Data Incidents

The Council had five recognised data protection breaches during 2017/18.

### c) Register of Interests

A Register of Interests for each Councillor is available on the Council's website via:

- Home Page > Council > Committees and Councillors > Councillors 2017

This information is available for public inspection at the Council's headquarters: 12 Strathkelvin Place, Kirkintilloch G66 1TJ.

### d) Sustainability

East Dunbartonshire Council is committed to ensuring that actions taken today do not create negative impacts environmentally, socially or economically, now or in the future. This involves considering the outcomes of our actions, encouraging joined-up approaches that deliver benefits on all fronts, and that they are sustainable.

Strategic Environmental Assessment (SEA) is a legal requirement and is one way in which sustainability is promoted within the organisation. The SEA process is a systematic method for considering and addressing the likely environmental effects of Council policies, plans, programmes and strategies.

The Council also has statutory obligations relating to the production of reports. The *Wildlife and Natural Environment (Scotland) Act 2011* and the *Nature Conservation (Scotland) Act 2004* require public bodies to act and report – every three years - on their duty to further the conservation of biodiversity; the *Climate Change (Scotland) Act 2009* requires public bodies to produce annual reports detailing measures being taken to address climate change.

During 2017/18, the Council launched the updated Local Biodiversity Action Plan and the Green Network Strategy, and progressed the development of a Food Growing Strategy, a Low-Carbon Heat Strategy and a Climate Change Adaptation Strategy.

Through these documents, and through the various other agendas being undertaken by the Sustainability Policy Team in partnership with other stakeholders, progress is being made in aligning 'green' agendas to social and economic priorities, with efficiencies being created and future costs being avoided.

.....  
**Jamie Robertson CPFA**  
Chief Finance Officer  
Date: 27 September 2018

.....  
**Gerry Cornes**  
Chief Executive  
Date: 27 September 2018

.....  
**Councillor Vaughan Moody**  
**Leader of the Council**  
Date: 27 September 2018

.....  
**Councillor Andrew Polson**  
**Leader of the Council**  
Date: 27 September 2018

## Annual Governance Statement

### *What we are responsible for*

East Dunbartonshire Council is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for and used in an economic, efficient and effective way. The Council has a statutory duty and policy commitment to secure best value under the *Local Government in Scotland Act 2003*.

To meet our responsibility, we have put in place proper arrangements for overseeing what we do. These arrangements form the basis of our governance framework, which is intended to make sure that we do the right things, in the right way, for the right people, in good time, and in a fair, open, honest and accountable way.

The Council has a *Code of Corporate Governance*, which it continues to apply. The Code is prepared in accordance with the CIPFA/SOLACE (Chartered Institute of Public Finance & Accountancy/Society of Local Authority Chief Executives) publication "*Delivering Good Governance in Local Government*" and is aligned to its six constituent core principles of good governance. This statement explains how East Dunbartonshire Council reviews the effectiveness of these arrangements and delivers good governance.

### *The aim of the governance framework*

The Council's governance framework comprises the systems, processes, cultures and values through which the Council is directed and controlled. It describes the way the Council engages and plans with, accounts to and provides leadership within the community. The framework allows us to monitor how we are achieving our long-term aims, and ensure we deliver appropriate services that are value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to meet the targets in our policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise those risks that may affect the ability of the Council to deliver its aims and objectives. In doing so, it evaluates the likelihood and impact of those risks and seeks to manage them efficiently, effectively and economically.

Governance arrangements have been in place throughout the year and up to the date of approval of the statement of accounts.

### *The governance framework*

Key features of the governance framework are set out in the following paragraphs.

#### *a) Purpose, Outcomes & Vision*

The Council's purpose and outcomes form a consistent thread through its Strategic Planning and Performance Framework. Key corporate objectives cascade from the vision of: 'working together to achieve the best with the people of East Dunbartonshire' through the Local Outcome Improvement Plan (LOIP) to its strategic and local outcomes and priorities.

The LOIP sets out the outcomes that all Community Planning partners aim to achieve with the people of East Dunbartonshire. It acts as the core plan for everything the Council does and is, in essence, the delivery plan for community planning in East Dunbartonshire. The LOIP also sets out how the East Dunbartonshire Community Planning Partnership contributes to the Scottish Government's key objectives over the next ten years through its sixteen national outcomes.

Our LOIP covers a 10-year period with the current iteration covering the period 2017-27. Local outcomes are measured through a consistent set of long and short-term indicators, aligned to the needs of our people and communities and reflecting the social, economic, health and environmental challenges of the area. In updating the LOIP, the Community Planning Partnership carried out a rigorous analysis of local needs and engaged widely across all our communities. This has enabled us to clearly identify the specific issues that affect people and communities across East Dunbartonshire. This helps us plan what we want to achieve over the next decade and detail how we will know we are getting there.

Establishing what we want to do and how we are going to do it must be measured against our performance in delivery. Effective performance management and reporting is key to ensuring that we know we are achieving our LOIP objectives. The Council monitors its outcomes through long and short-term indicators with designated officers



providing a consistent line of target setting from Council Strategic Group Business Improvement Plans (BIPs), progress monitoring via How Good is Our Service (HGIOS) and Annual Performance Reports to the meetings of the Community Planning Board, Council, and Service Committees. Further scrutiny is undertaken via the Scrutiny Panels.

The Council regularly undertakes benchmarking activities to assess our performance against that reported in other Councils. The Local Government Benchmarking Framework provides a mechanism for such analysis to be undertaken with a consistent set of indicators being reported on an annual basis. The collation of our indicators are subject to review by Internal Auditors with detailed outturn analysis being provided by the Council's Performance Team. Such analysis informed our annual Public Performance Report and initiated a public consultation on the range of performance information made available to our stakeholders.

Scrutiny Panels and Public Performance Reporting are further considered as part of governance improvement activities at section h).

### **b) Common Purpose, Clear Functions and Roles**

The Council provides a clear statement of roles and responsibilities through its Administrative Scheme. These were approved at the first statutory meeting following Local Government Elections and the formation of a new Council. Throughout the term of the Council, the Scheme requires regular updating to reflect changes in the Council's decision-making, organisational structures and strategic responsibilities. The Council has demonstrated its commitment to ensuring that the Administrative Scheme reflects current arrangements with this being reviewed during the course of the year. A further review of the entire Administration Scheme is ongoing.

We have continued to enhance and strengthen our internal control environment through updating and introducing new policies and procedures throughout the course of the year. The Scheme of Delegation sets out the remit of Elected Member Portfolio Holders and the extent of delegations made to Committees and Officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. The Council also has Financial Regulations and Standing Orders relating to contracts in place and all of these procedural documents are regularly reviewed.

The business of the Council is determined through the relationship between Officers and Members. Both Elected Members and the Officers as employees are servants of the public and they are indispensable to one another. However, their responsibilities are distinct. Elected Members determine policy and are responsible to the electorate within a finite term of office. Employees as officers of the Council undertake operational activity within that policy and are responsible to the Council. An Officer's job is to give advice to Elected Members and to the Council, thereafter to carry out the Council's work under the direction and scrutiny of the Council and its Committees.

### **c) Promoting Values**

The Council complies with the *Ethical Standards in Public Life etc. (Scotland) Act 2000*, which provides a framework to encourage, and where necessary, enforce, high ethical standards in public life. The 2000 Act established the Standards Commission for Scotland and the post of Chief Investigating Officer and the Councillors' Code of Conduct, which provides the principles and rules governing the conduct of Councillors across all Scotland.

The Council promotes values and demonstrates the values of good governance through upholding standards of conduct and behaviour. The Council has an established code of conduct for both its employees and Elected Members, which is a written statement of good practice and convention. The Statement aims to clarify roles and responsibilities and to establish accepted behaviour and practices. It also aims to enhance and maintain the integrity of local government and demands high standards of personal conduct.

In 2017/18, the Council continued to develop its counter-fraud activities. The revised Whistleblowing Policy was approved in the year; this ensures our ongoing compliance with the Bribery Act as well as the Nolan Committee Principles. The Corporate Fraud Team continues to undertake proactive investigative work focussing on high-risk areas such as Council Tax Reduction, Single Person Discount, Housing Tenancy, School Placing Requests and Blue Badges.

### **d) Developing Capability & Capacity**

The Council seeks to ensure that Members and Officers have the skills, knowledge, experience and resources they need to perform well in their roles. This includes developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group. The Council looks to encourage talent so that best use can be made of individuals' skills and resources in balancing continuity of service alongside the need for service redesign.

An extensive programme of development was delivered throughout 2017/18 following the election process. The turnover of Elected Members within the Council required a number of elements of delivery to be undertaken with an initial programme of development around technology, governance, finance & scrutiny and procedural elements of the roles for various Committees appointments. The development programme continues to be progressed and reported.

During the course of the year, the Council has further developed its Performance Development Review process to include consideration and consolidation of resourcing and skills planning. Extensive focus has taken place over 2017/18 and continuing in 2018/19 to review, revise and refresh the Workforce and Succession Planning activities aligning these to the LOIP, revised BIPs and ensuring that these consider the medium to long term planning required to continue to meet future demands. The outputs of these activities will support the Council's transformation programme, workforce and succession planning, team development, personal skills development and performance improvement. The work of the Council in this area seeks to address the risks relating to gaps in skills, knowledge and experience ensuring that the Council has the "right skills at the right time and in the right place". The Council continues to report ongoing improvement in PDR completion rates with ongoing focus increasing levels of compliance.

An extensive update was provided to Council at its meeting of December 2017 with the commitment to review of the Workforce Strategy for the period 2018–2021 for presentation in June 2018. The revised Workforce Strategy will recognise the context and scenario planning around currently known future demands. The Workforce Strategy is designed to encompass the complexity of the 'People' agenda based on current and future priorities. Cognisance in the 2018–2021 strategy will be made of the financial context and known demands facing Council in the coming years. A key component of this process has been the baseline for services including demographics, future projections and the linkages to the current and future demands. This has enabled scenarios planning and understanding of the gaps that form the action planning stages of the process. This is a key enabler in supporting the achievement of improving service delivery, structures, systems and overall performance through people and support of Best Value. A key aspect of the plan is around the Digital landscape for Local Government with participation by Council officers in the Digital Partnership, which consists of 30 of 32 Councils. This collaboration will ensure that best practice and innovation around digital continue to be at the forefront of our transformation activities.

Learning & Development is key to ensuring that our workforce skills are aligned to organisational need and our transformation. Our Transformation Programme will require various areas of development around digital skills, technological changes, customer services and responses to the changing landscape in the coming years for statutory and legal compliance across services. Workforce Planning activities seek to understand on a global and service basis the levels and nature of skills required to deliver now and in the future.

Corporate Inductions are run on a regular basis and provide employees with an overview of the Council, including; how the Council and its services are structured, decision making structures and the planning process, equality and diversity legislation, the Council's approach to customer services, learning opportunities, the importance of Information Management in compliance with *Public Records (Scotland) Act*, Freedom of Information and data protection obligations, an overview of Corporate Procurement and Health & Safety responsibilities. The Council seeks to maximise the use of all channels of learning. The E learning system in place for all employees provides access to up to date courses, information and briefings.

The Council has a well-established internal communication process that is utilised to highlight new legislation, changes to working practices and associated learning opportunities. Our existing framework for communication is continually reviewed with evaluation of the communications through the Employee News, Team Leadership Conference, Leadership Information Packs, Learning Labs, the People Development Calendar and the online Leadership Community. A Leadership Forum was held on 28th March 2018 and a further one is scheduled for the first quarter of 2018. The Council continues to work to understand the effectiveness of these channels to further improve continued communications to its workforce.

#### **e) Informed & Transparent Decision Making**

The Council sets out its processes and controls to be rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny. This includes having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants and needs. The Council also has a well-developed risk management policy and strategy with Corporate, Directorate and Operational Risk Registers providing support and assurance that risk exposures are known and managed. To enhance this further, the Council reviewed its committee report template during the course of the year. The new template includes links to the LOIP and sets out key risks and any mitigating actions. In addition, each standing Committee and Council receives an outstanding business statement as part of the agenda for each meeting. This provides Members with an update of outstanding decisions and actions taken to implement these and enables ongoing scrutiny and assurance of performance against decisions.

The Council is committed to and promotes a fair, transparent and inclusive decision making culture that supports the delivery of its vision. These commitments are reflected in the decision-making structures, which provide clarity of purpose through the Administrative Scheme including individual terms of reference and committee composition with business being conducted through an established cycle of meetings.

The Council's Audit & Risk Management Committee provides an appropriate forum through which audit and scrutiny activity can be reported and directed. This includes considering audit work relating to systems, processes, governance arrangements and Best Value but also considering performance against LOIP objectives, transformational activities and co-ordinating activities for the Scrutiny Panels.

#### **f) Engaging with Local People & Stakeholders**

The Council seeks to engage effectively with local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships. The Council takes an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.

East Dunbartonshire Council has a statutory duty of Community Planning under *Community Empowerment (Scotland) Act 2015*. Community Planning places a statutory duty on a range of national, regional and local organisations to plan in partnership for their local area, and in doing so, reduce inequality of outcomes across their communities. Community Planning is about a range of national, regional and local organisations working together to plan and provide for the wellbeing of individual communities. The Council has an established Community Planning Partnership Board whose remit is to:

- set the strategic priorities and direction for partnership working in East Dunbartonshire
- agree the East Dunbartonshire Local Outcome Improvement Plan
- review performance in implementation of the Local Outcome Improvement Plan
- approve the remit of the Community Planning Executive Group
- review the work of the Community Planning Executive Group
- ensure full and active engagement of all partners and the wider community.

At a high level, this includes engaging the community on areas such as budget stakeholder engagement, the Local Development Plan and the future development of partnership engagement strategy.

The Council's Consultation and Engagement process connects with local people and communities in a wide range of ways to seek their views on the performance of our services and identify what our strategic priorities should be in order that we can plan, resource and deliver our services effectively to meet local need. The Council's Consultation and Engagement Strategy 2017-20 supports all consultation and engagement activity, seeking to ensure consistency of approach across all strategic areas. The Council, in partnership with its Community Planning Partners, continues to engage with its communities, with a particular emphasis in our most vulnerable areas within Hillhead and Harestanes, Lennoxton and Auchinairn, with the aim of working together with local people to regenerate these areas more effectively.

The *Public Bodies (Joint Working) (Scotland) Act 2014* requires the establishment of an 'integration authority' to deliver nationally agreed outcomes for health and social care. The Act aims to integrate health and social care services by delegating the planning, commissioning and oversight of a range of health services and adult social care. In East Dunbartonshire, this is achieved via a separate legal body, known as East Dunbartonshire Health and Social Care Partnership (HSCP). The delegated services include adult social care and children's services. East Dunbartonshire Council delegated the relevant portion of the Council budget to the HSCP who in turn directed East Dunbartonshire Council to provide a range of specified Council services.

The Council's Audit & Risk Manager provides Internal Audit services to the HSCP. The constitution of the Health & Social Care Partnership requires that a set of Annual Accounts be prepared in accordance with relevant Accounting Codes and these will include their own Annual Governance Statement.

East Dunbartonshire Council has provided assurances to the HSCP that an adequate and effective system of internal control is in place.

## **g) Review of Effectiveness**

East Dunbartonshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Corporate Management Team and the Strategic Leads within the Council who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's Annual Report, and by comments made by the external auditors and other review agencies and inspectorates.

During 2017/18, East Dunbartonshire Council continued to put in place appropriate management and reporting arrangements to enable it to be satisfied that its approach to corporate governance is both appropriate and effective in practice. Specifically, the Council's governance arrangements have been reviewed against the requirements of the CIPFA/SOLACE Framework. Whilst this process of review is co-ordinated corporately and approved by the Corporate Management Team, Strategic Leads have a responsibility to ensure their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each Strategic Lead is required to make an annual statement confirming that this is the case. For 2017/18, these Strategic Lead disclosures confirm the adequacy and effective operation of corporate governance arrangements and financial controls, whilst committing to reviewing the Procurement Governance arrangements; progressing audit recommendations in the HR/Payroll integrated system and the requirement for a review of Health and Safety provision within Property Maintenance.

Based on Internal Audit work completed in 2017/18, the Audit and Risk Manager has concluded that East Dunbartonshire Council's internal control procedures were generally found to operate as intended with reasonable assurance being provided on the integrity of Council controls. A number of recommendations have been made by the internal audit team in order to improve controls further, with action plans developed with management to address the risks identified. The main areas that the internal audit team highlighted as requiring further improvement are included in section h) below.

The level of assurance provided by the internal audit team can never be absolute. This reflects the sample nature of the work carried out, the relative scope and objectives of audit assignments and those explanations offered, and evidence provided, by officers. In addition, factors external to the audit process including human error, collusion or management overriding controls highlight the potential for systems historically highlighted as being satisfactory to become exposed to risk or loss.

The reports issued by the Council's external auditors, Audit Scotland, have also been considered as part of our overall review of effectiveness. A number of national and local reports have been issued during the financial year and these have been evaluated as part of the internal audit opinion above. Specific consideration has been given to the local audit team's cycle of reports that include the 'Interim Audit Report', 'Best Value Follow Up 2017' and the 'Annual Report on the 2016/17 Audit'.

The Audit Scotland Management Report for 2017/18 reported on the following key issues: general ledger reconciliations; new and changes to suppliers; supervisor checks on discounts, exemptions and reliefs; payroll employee verification; changes to payroll standing data; Payroll and Human Resources segregation of duties; payroll to General Ledger Reconciliations; and Review of Policies and Procedures. With the exception of Payroll employee verification, these issues have been accepted by management, with responsible officers and target dates set.

## **h) Governance Improvement Plans**

The system of governance (including the system of internal control) generally provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities either are prevented or would be detected within a timely period; and that significant risks impacting on the achievement of our strategic priorities and outcomes have been mitigated. In completing the review of governance arrangements in the current year, the following have been noted for inclusion as part of the ongoing governance improvement plan:

- **External Scrutiny** – Over the course of the year, the Council has received reports through our Local Area Network of scrutiny bodies including Audit Scotland, our network lead, and the Accounts Commission. The Council recognises the importance of external scrutiny and takes full cognisance of local and national reporting developing the Council's performance management system to track ongoing improvement activities. External scrutiny agencies continue to highlight risks facing the Council with consistent themes cascading from high-level overview reporting, through Council Transformation and Budget Reduction Strategies to operational and financial systems. The Council acknowledges these risks and continues to work towards mitigating their impact through its Transformation Programme, with the Carefirst social work system being this highest priority on the Transformation agenda.
- **Internal Audit Work** - Following the completion of the Annual Audit Plan for 2017/18, the main areas that the Internal Audit Team highlighted as requiring further improvement were key anti-fraud payment controls, Carefirst (social work system) payment controls and business continuity arrangements. Auditors continue to

review compliance with the agreed actions as part of an established six monthly cycle. The Carefirst issues highlighted by Internal Auditors requiring further action include duplicate payment controls, authorisation of provider payments, delays in data input and notification of changes in circumstances. Management have reported progress towards mitigation of these issues and testing will be conducted by Auditors as part of the 2018/19 audit programme.

- **Public Sector Internal Audit Standards (PSIAS)** – An external assessment was completed of EDC's Internal Audit function. It was found that, in the opinion of the assessor, the Internal Audit team fully conforms with twelve of the PSIAS and generally conforms to the other standard (Independence and Objectivity). Overall, substantial assurance was obtained with regard to the compliance with the Public Sector Internal Audit Standards. The assessment gave two recommendations to improve compliance, which will be implemented in 2018/19.
- **Audit Scotland** – The Council has worked to respond positively to the concerns expressed in previous Best Value reports with the follow up report in November 2017, reflecting progress made in relation to management of its transformation programme, budget setting process and internal controls over main financial systems. However, certain actions remain in progress. The Council tracks progress against an action plan to manage these risks and continues to work to demonstrate improvements and Best Value.
- **Public Performance Reporting** – The Council continues to meet its Public Performance Reporting (PPR) obligations. Whilst public performance reporting is no longer formally audited by Audit Scotland, previous audit reports have demonstrated continuous improvement and areas of best practice, which have been maintained and built on in recent years. The Council's public performance reporting framework includes an annual Public Performance Report, highlighting progress against the Strategic Priorities outlined in our LOIP, quarterly updates of performance in each Council Strategic area and a number of other regular key publications across all service areas. The Council also continues to meet its obligations in regards to Best Value Service Performance through the submission and publication of Local Government Benchmarking Framework Data. The Council have previously engaged in consultation with our communities, which has informed our PPR framework. Continuous improvement of PPR is under consideration, with the possibility of using newer technologies with an aim of reaching a wider audience being investigated.
- **Scrutiny of Transformation** - Transformation continues to be key to the Council achieving its outcomes. Performance of Transformation programme is scrutinised via the Policy and Resources committee and through the Transformation Board.
- **Audit & Risk Management Committee** – The full Strategic Service Committee is chaired by the Opposition Group Leader, providing scrutiny on the Council's Audit and Risk Management activities. The cycle of meetings is aligned to the six meeting cycle.
- **Scrutiny Panels** – The Council has two Scrutiny Panels with additional consideration and direction being provided by the Audit & Risk Management Committee. The Council's Best Value Report from Audit Scotland in November 2017 highlighted that scrutiny of performance by Elected Members is improving but that it must improve further. During the course of the year, Scrutiny Panels continued to be convened as part of a regular cycle and structured around the themes of Transformation & Community Wellbeing and Transformation, Economy & Employment, linked to the Local Outcomes. Members of Scrutiny Panels provided oversight of a range of strategic areas including fraud performance, call centre performance, educational attainment, and Pupil Equity Funding.
- **Workforce Planning** – As reported previously at section d), the Council's Workforce Strategy is a supporting pillar of the Council's transformation programme and governance. Scrutiny of this strategy is provided through ongoing reporting to the Policy & Resources Committee. A revised and refreshed strategy will be presented to Council in June 2018 for the period 2018–2021 taking account of the financial context, Council Transformation Programme and the forecasting of future demands both medium to longer term. The revised strategy will recognise the Workforce and Succession Planning frameworks as well as the Pillars that underpin the 'People' agenda.
- **Community Planning** - The most recent Local Outcomes Improvement Plan introduced a set of guiding principles that direct all partners to consider these principles in their approaches. The principles include Best Value, prevention and early intervention and co-production and engagement, and fair and equitable services. This demonstrates our commitment to involving communities at the earliest point to ensure transparency in decision making and maximising the impact of our efforts through inclusive approaches. Over the coming years the Council will be exploring how we are using Participatory Budgeting processes to strengthen community involvement in key decision-making.

## **i) Conclusion**

We consider the governance and internal control environment operating in 2017/18 to provide reasonable and objective assurance that significant risks affecting the achievement of principal strategic priorities and outcomes will be identified and actions taken to avoid or mitigate their impact.

A number of improvements have been identified that will further strengthen the governance arrangements and these are set out above. Systems are in place for regular review and improvement of the governance and internal control environment. The Council will continue to review its Corporate Governance arrangements and take any additional steps, as required, to enhance these arrangements further.

These steps will address the need for improvements and the internal audit team will monitor their implementation and operation as part of its next annual review.

.....  
**Gerry Cornes**  
**Chief Executive**  
Date: 27 September 2018

.....  
**Councillor Vaughan Moody**  
**Leader of the Council**  
Date: 27 September 2018

.....  
**Councillor Andrew Polson**  
**Leader of the Council**  
Date: 27 September 2018

## Statement of Responsibilities for the Accounts

### The Council's Responsibilities

The Council is required to:

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

I confirm that these Annual Accounts were approved for signature by the Audit & Risk Management Committee at its meeting on 27 September 2018.

Signed on behalf of East Dunbartonshire Council

.....  
**Councillor Vaughan Moody**  
**Leader of the Council**  
Date: 27 September 2018

.....  
**Councillor Andrew Polson**  
**Leader of the Council**  
Date: 27 September 2018

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation as set out in the CIPFA & Local Authority (Scotland) Accounts Advisory Committee (LASAAC) *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Accounting Code)*.

In preparing these Annual Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the local authority (and its group) at the reporting date and the transactions of the local authority (and its group) for the year ended 31 March 2018.

.....  
**Jamie Robertson CPFA**  
**Chief Finance Officer**  
Date: 27 September 2018

## Remuneration Report

### 1. Introduction

The Remuneration Report has been prepared in accordance with the *Local Authority Accounts (Scotland) Regulations 2014*. These Regulations require various disclosures about the remuneration and pension benefits of Senior Councillors and senior employees, together with details of the Council's remuneration policy or the role it has in determining such a policy.

### 2. Remuneration of Council Leader, Provost and Senior Councillors

The remuneration of Senior Councillors is regulated by the *Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007* (SSI No. 2007/183). The Regulations provide for the grading of councillors, for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or 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, such as the Chair or Vice-Chair of a committee, sub-committee or board.

For 2017/18 the salary for the Leader of East Dunbartonshire Council as set out in the Regulations was £33,857 (2016/17 £33,789). The Regulations permit the Council to remunerate one Provost and set out the maximum salary that may be paid to the Provost which for 2017/18 was £25,392 (2016/17 £25,341).

The Regulations also set out 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 is 75% of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for all of its Senior Councillors shall not exceed £232,759 for 2017/18 (2016/17 £232,291) and the maximum number of Senior Councillors is 11. A Senior Councillor may only be remunerated for one senior position regardless of the senior positions held. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within those maximum limits.

There were changes to the positions for which the Council provides remuneration (Leader, Provost and 11 Senior Councillors) following; (1) the Local Government election of 4 May 2017, the positions being agreed at Council on 23 May 2017 and remuneration at Council of 27 June 2017; (2) the resignation of the administration on 21 December 2017; (3) following the election of the new administration at the Council meeting of 20 March 2018, although the remuneration for these positions was not agreed until the Council meeting on 26 April 2018. A full list of remunerated positions and holders are provided in the table below. Please note that holders may have other non-remunerated positions, e.g. the Main Opposition Leader to 03/05/2017 was also the Convener of Audit and Risk.

#### Elected Member Positions Held During the Course of the Financial Year

| Position Held                           | Date                           |                                |                                |                              |                              |
|---|--------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
|   | 01/04/2017<br>to<br>04/05/2017 | 23/05/2017<br>to<br>20/12/2017 | 21/12/2017<br>to<br>19/03/2018 | 01/02/2018<br>to<br>Year-End | 20/03/2018<br>to<br>Year-End |
| Leader of the Council                   | R Geekie                       | G Low                          |                                |                              |                              |
| Joint Leaders of the Council            |                                |                                |                                |                              | A Polson, V Moody            |
| Depute Leader                           | W Hendry                       | G Renwick                      |                                |                              |                              |
| Main Opposition Leader                  | I Mackay                       | A Polson                       | A Polson                       |                              |                              |
| Minority Opposition Leader              | A Ghai                         |                                |                                |                              |                              |
| Provost                                 | U Walker                       | A Brown                        | A Brown                        |                              | A Brown                      |
| Depute Provost                          | A Jarvis                       | G Pews                         | G Pews                         |                              | G Pews                       |
| Convener:                               |                                |                                |                                |                              |                              |
| Neighbourhood Services                  | S MacDonald                    |                                |                                |                              |                              |
| Development & Regeneration              | A Moir                         |                                |                                |                              |                              |
| Education                               | M Henry                        | M Fischer                      |                                |                              |                              |
| Audit & Risk Management                 |                                | V Moody                        | V Moody                        |                              | G Low                        |
| Place, Neighbourhood & Corporate Assets |                                | J Gibbons                      |                                |                              |                              |
| Education, People & Business            |                                |                                |                                |                              | J Goodall                    |
| Chair - Planning Board                  |                                | W Hendry                       | W Hendry                       |                              | R O'Neil                     |
| Chair - Licensing Board                 | J Dempsey                      | J Jamieson                     |                                | J Gibbons                    |                              |



### Elected Member Positions Held During the Course of the Financial Year (Continued)

| Position Held                           | Date                           |                                |                                |                              |                              |
|---|--------------------------------|--------------------------------|--------------------------------|------------------------------|------------------------------|
|   | 01/04/2017<br>to<br>04/05/2017 | 23/05/2017<br>to<br>20/12/2017 | 21/12/2017<br>to<br>19/03/2018 | 01/02/2018<br>to<br>Year-End | 20/03/2018<br>to<br>Year-End |
| Vice Convener:                          |                                |                                |                                |                              |                              |
| Audit & Risk Management                 | G Low                          |                                |                                | G Renwick                    |                              |
| Education                               | M Shergill                     | D Johnston                     |                                |                              |                              |
| Social Work                             | G Welsh                        |                                |                                |                              |                              |
| Education, People & Business            |                                |                                |                                |                              | G McGinnigle                 |
| Place, Neighbourhood & Corporate Assets | P Ferretti                     |                                |                                | S Murray                     |                              |
| Vice Chair – Planning                   | R O'Neil                       |                                | R O'Neil                       | S Thornton                   |                              |

The Council has a representative on the Board of NHS Greater Glasgow and Clyde and receives remuneration from the National Health Service (NHS) for that position. This position was held by Councillor Mechan at 31 March 2018.

Excluding the Leader of the Council and the Provost, the additional remuneration paid to these Senior Councillors in 2017/18 totalled £183,839 (2016/17 £227,543 restated).

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.

### Remuneration of Council Leader, Provost, and Senior Councillors

| Total<br>2016/17<br>£ | Councillor   | Office held                                      | Salary and<br>Allowances<br>£ | Taxable<br>Expenses<br>£ | Total<br>2017/18<br>£ |
|-----------------------|--------------|--|-------------------------------|--------------------------|-----------------------|
| 33,784                | R Geekie     | Leader of the Council (1)                        | 3,055                         |                          | 3,055                 |
| 18,272                | G Low        | Leader of the Council (2), Convener (5)          | 21,525                        |                          | 21,525                |
| n/a                   | V Moody      | Convener (3), Leader of the Council (5)          | 18,425                        |                          | 18,425                |
| n/a                   | A Polson     | Opposition Leader (3), Leader of the Council (5) | 18,703                        |                          | 18,703                |
| 25,519                | U Walker     | Provost (1)                                      | 2,291                         |                          | 2,291                 |
| n/a                   | A Brown      | Provost (3)                                      | 21,775                        |                          | 21,775                |
| 25,254                | W Hendry     | Convener (3)                                     | 18,291                        |                          | 18,291                |
| n/a                   | G Renwick    | Depute Leader (2), Vice Convener (5)             | 14,815                        |                          | 14,815                |
| 21,574                | A Jarvis     | Depute Provost (1)                               | 1,947                         |                          | 1,947                 |
| n/a                   | G Pews       | Depute Provost (3)                               | 18,291                        |                          | 18,291                |
| 21,478                | M Henry      | Convener (1)                                     | 1,947                         |                          | 1,947                 |
| 21,478                | S MacDonald  | Convener (1)                                     | 1,947                         |                          | 1,947                 |
| 21,534                | A Moir       | Convener (1)                                     | 1,947                         |                          | 1,947                 |
| 20,820                | J Dempsey    | Chair Licencing Board (1)                        | 1,883                         |                          | 1,883                 |
| n/a                   | J Gibbons    | Convener (2) Chair of Licensing Board (4)        | 15,727                        |                          | 15,727                |
| n/a                   | J Jamieson   | Chair Licencing Board (2)                        | 11,996                        |                          | 11,996                |
| n/a                   | M Fischer    | Convener (2)                                     | 12,389                        |                          | 12,389                |
| 18,965                | M Shergill   | Vice Convener (1)                                | 1,715                         |                          | 1,715                 |
| 18,920                | G Welsh      | Vice Convener (1)                                | 1,715                         |                          | 1,715                 |
| n/a                   | P Ferretti   | Vice Convener (2)                                | 11,012                        |                          | 11,012                |
| n/a                   | D Johnston   | Vice Convener (2)                                | 11,012                        | 4                        | 11,016                |
| n/a                   | R O'Neil     | Vice Convener (3), Convener (5)                  | 16,337                        |                          | 16,337                |
| 21,534                | I Mackay     | Main Opposition Leader (1)                       | 1,947                         |                          | 1,947                 |
| 17,754                | A Ghai       | Minority Opposition Group Leader (1)             | 1,715                         |                          | 1,715                 |
| n/a                   | J Goodall    | Convener (5)                                     | 701                           |                          | 701                   |
| n/a                   | S Murray     | Vice Convener (5)                                | 623                           |                          | 623                   |
| n/a                   | G McGinnigle | Vice Convener (5)                                | 623                           |                          | 623                   |
| n/a                   | S Thornton   | Vice Convener (5)                                | 623                           |                          | 623                   |
| <b>286,886</b>        | <b>Total</b> |  | <b>234,977</b>                | <b>4</b>                 | <b>234,981</b>        |

(1) until 03/05/17; (2) from 23/05/17 until 20/12/17 ; (3) from 23/05/17 ; (4) from 01/02/18 ; (5) from 20/03/18

Salaries are paid four-weekly and this can give rise to small differences in the actual payments made from one financial year to the next.

## Total Councillors' Remuneration

The total remuneration of all the Council's elected members (including Senior Councillors above) and including all business expenses is as follows:

| 2016/17        |                           | 2017/18        |
|----------------|---------------------------|----------------|
| £              |                           | £              |
| 471,179        | Salaries – Council Duties | 427,761        |
| 29,830         | Expenses                  | 17,661         |
| <b>501,009</b> | <b>Total</b>              | <b>445,422</b> |

Business expenses include non-taxable expenses such as mileage and the costs met by the Council of support to members including training, travel and mobile phones. Detailed figures for these costs are on the Council's website.

## Conveners and Vice Conveners of Joint Boards

In addition to the Senior Councillors of the Council, the Regulations also set out the remuneration payable to Councillors with the responsibility of being Convener or Vice-Convener of a Joint Board, such as the Dunbartonshire and Argyll and Bute Valuation Joint Board. The Regulations require the remuneration to be paid by the Council of which the Convener or Vice-Convener is a member.

The Council is also required to pay any pension contributions arising from that Councillor being a member of the Local Government Pension Scheme. Councillor Moody was Vice Convener of the Dunbartonshire and Argyll and Bute Valuation Joint Board but received no remuneration from the Council for this role for this period.

## 3. Pension Entitlements of Council Leader, Provost and Senior Councillors

| Councillor   | Office                                     | Pension Contributions |                       | Accrued Pension Benefits |           |                     |           |
|--------------|--|-----------------------|-----------------------|--------------------------|-----------|---------------------|-----------|
|              |  | Year to 31 March 2018 | Year to 31 March 2017 | As at 31 March 2018      |           | As at 31 March 2017 |           |
|              |  | £                     | £                     | Pension                  | Lump Sum  | Pension             | Lump Sum  |
| R Geekie     | Leader of the Council (1)                  | 590                   | 6,520                 | 6                        | 3         | 6                   | 3         |
| G Low        | Leader of the Council (2)                  | 5,165                 | 3,526                 | 4                        | 1         | 3                   | 1         |
| V Moody      | Convener (3)                               | 3,957                 | n/a                   | 4                        | 2         | n/a                 | n/a       |
| A Polson     | Opposition Leader (3)                      | 3,662                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| U Walker     | Provost (1)                                | 442                   | 4,890                 | 3                        | 2         | 4                   | 2         |
| A Brown      | Provost (3)                                | 4,332                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| G Renwick    | Depute Leader (2)                          | 4,179                 | n/a                   | 3                        | 1         | n/a                 | n/a       |
| A Jarvis     | Depute Provost (1)                         | 376                   | 4,156                 | 3                        | 2         | 7                   | 13        |
| G Pews       | Depute Provost (3)                         | 3,662                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| M Henry      | Convener (1)                               | 376                   | 4,145                 | 2                        | 0         | 2                   | 0         |
| S MacDonald  | Convener (1)                               | 3,312                 | 4,145                 | 4                        | 1         | 3                   | 1         |
| A Moir       | Convener (1)                               | 3,312                 | 4,156                 | 3                        | 0         | 3                   | 0         |
| R O'Neil     | Convener (3)                               | 3,271                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| J Gibbons    | Convener (2), Chair of Licensing Board (4) | 3,840                 | n/a                   | 3                        | 1         | n/a                 | n/a       |
| J Jamieson   | Chair of Licensing Board (2)               | 3,648                 | n/a                   | 3                        | 1         | n/a                 | n/a       |
| M Fischer    | Convener (2)                               | 3,429                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| M Shergill   | Vice Convener (1)                          | 331                   | 3,660                 | 2                        | 0         | 2                   | 0         |
| G Welsh      | Vice Convener (1)                          | 331                   | 3,652                 | 1                        | 0         | 1                   | 0         |
| P Ferretti   | Vice Convener (2)                          | 3,164                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| D Johnston   | Vice Convener (2)                          | 3,164                 | n/a                   | 0                        | 0         | n/a                 | n/a       |
| I Mackay     | Main Opposition Leader (1)                 | 376                   | 4,156                 | 2                        | 0         | 2                   | 0         |
| A Ghai       | Minority Opposition Leader (1)             | 331                   | 3,427                 | 3                        | 0         | 3                   | 0         |
| <b>Total</b> |  | <b>55,250</b>         | <b>46,433</b>         | <b>46</b>                | <b>14</b> | <b>36</b>           | <b>20</b> |

Note: Membership of the pension scheme is not compulsory.

(1) until 03/05/17; (2) from 23/05/17 until 20/12/17; (3) from 23/05/17; (4) from 01/02/18

As no payments for the positions assumed on 20 March had been made by 31 March, these are not reflected in the figures above.

Councillors' pension benefits are now based on career average pay and are provided through the Local Government Pension Scheme (LGPS). The Councillors' salaries 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 revalued pay is then divided by the period of membership to calculate the career average pay. This is then used to calculate the pension benefits. The scheme's normal retirement age for Councillors is the state pension age.

There is no longer an 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

pensionable salary for each year of pensionable service from 1 April 2015; prior to this, different accrual rates applied, which included a lump sum.

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, and without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown in the following table relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

The lump sum payable on retirement can alter from the prior year estimate supplied by the Strathclyde Pension Fund due to added years and commutation.

#### 4. Remuneration of Senior Employees

The salary of the Chief Executive is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salary scales for chief executives and chief officials of Scottish local authorities. The salaries of East Dunbartonshire's other senior employees have been evaluated using the Scottish Councils' Job Evaluation Scheme under the authority of the Chief Executive and with the assistance of an independent expert in this area. There are now two grades of senior employees. The Depute Chief Executives (Education, People & Business and Place, Neighbourhood & Corporate Assets) are on the scale previously set for Chief Official Grade 3, a scale from points 43 to 45. This scale was agreed at Council of 20 November 2014 and the Depute Chief Executives transitioned to their new roles at their existing salaries as per the Special Council of 17 May 2016. The Strategic Leads have been subject to a pay and grading review, effective from 1 July 2017. All Strategic Leads included within this report are on Grade 17, a scale from points 135 to 141. Positions in the East Dunbartonshire Health and Social Care Partnership are not included in this report, as the Integration Joint Board is a separate body.

Other remuneration includes the fees payable by the Scotland Office and the Scottish Government for the conduct of elections and referendums. The fees for the 2017 General Election and Local Government Election are included in the 2017/18 figures and for the 2016 Scottish Parliament Election and European Referendum are included in the 2016/17 figures in the table on the following page.

Senior employees, as defined by the *Local Authority Accounts (Scotland) Regulations 2014*, include any local authority employee:

- who has responsibility for 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 person;
- 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*;
- whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or more.

East Dunbartonshire Council are including, within this report, the members of the Corporate Management Team and the holders of key positions in the Council. Local authorities in Scotland are required by various statutes to make, and subsequently maintain, appointments to a number of specified offices. Those individuals who are appointed to those offices are commonly referred to as 'statutory officers'. Where applicable, these designations have been given in square brackets:

##### Corporate Management Team

- Chief Executive [Head of Paid Service]
- Depute Chief Executive, Education, People and Business (EPB)
- Depute Chief Executive, Place, Neighbourhood and Corporate Assets (PNCA)

##### Other Chief Officials

- Strategic Lead - Education, Chief Education Officer
- Strategic Lead – Social Work, [Chief Social Work Officer]
- Strategic Lead – Finance, Audit & Performance, Chief Finance Officer [Section 95 Officer]
- Strategic Lead - Legal & Democratic Services [Monitoring Officer]

## Remuneration of Senior Employees

| 2016/17 Salary, Fees & Allowances |               |   | 2017/18 Salary, Fees & Allowances | 2017/18 Annual Salary |
|-----------------------------------|---------------|---|-----------------------------------|-----------------------|
| £                                 |               |   | £                                 | £                     |
| 128,159                           | G Cornes      | Chief Executive                             | 128,222                           | 125,922               |
| 102,444                           | A Davie       | Depute Chief Executive, EPB                 | 103,767                           | 101,467               |
| 100,444                           | T Glen        | Depute Chief Executive, PNCA                | 101,467                           | 101,467               |
| 84,276                            | J MacDonald   | Chief Education Officer <sup>(1)</sup>      | 86,964                            | 87,504                |
| 70,527                            | P Mazzoncini  | Chief Social Work Officer <sup>(1)(2)</sup> | 86,059                            | 87,504                |
| 49,506                            | J Robertson   | Chief Finance Officer <sup>(1)(3)</sup>     | 82,359                            | 87,504                |
| 53,061                            | K Donnelly    | Monitoring Officer <sup>(1)(4)</sup>        | 82,519                            | 87,504                |
| <b>588,417</b>                    | <b>Totals</b> |   | <b>671,357</b>                    | <b>678,872</b>        |

(1) New Pay and Grading Model implemented from 01/07/2017 (2) From 16 May 2016 (3) From 26 June 2016  
(4) From 6 June 2016

As well as salary, fees and allowances, East Dunbartonshire Council is also required to report the amount received by the senior employees above in respect of taxable expenses, compensation for loss of employment, other remuneration, bonuses and non-cash benefits. None received these types of remuneration in 2016/17 or 2017/18. Most salaries are paid four-weekly and this can give rise to small differences in the actual payments made from one financial year to the next.

## 5. Pension Entitlements of Senior Employees

Pension benefits for most local government employees are provided through the Local Government Pension Scheme (LGPS). From 1 April 2015 this became a career average salary pension scheme, although it was a final salary scheme until that date. This means that pension benefits are based on the index-linked salary for service since 1 April 2015 and the final year's pay for membership of the scheme up until that date.

The lump sum payable on retirement can alter from the prior year estimate supplied due to added years and commutation.

|              |                           | Pension Contributions |                       | Accrued Pension Benefits |            |                     |            |
|--------------|---------------------------|-----------------------|-----------------------|--------------------------|------------|---------------------|------------|
|              |                           | Year to 31 March 2018 | Year to 31 March 2017 | As at 31 March 2018      |            | As at 31 March 2017 |            |
|              |                           |                       |                       | Pension                  | Lump Sum   | Pension             | Lump Sum   |
|              |                           | £                     | £                     | £                        | £          | £                   | £          |
| G Cornes     | Chief Executive           | 24,303                | 24,445                | 58                       | 112        | 55                  | 111        |
| A Davie      | Depute Chief Exec, EPB    | 19,583                | 19,386                | 20                       | 9          | 17                  | 9          |
| T Glen       | Depute Chief Exec, PNCA   | 19,583                | 19,386                | 41                       | 0          | 38                  | 0          |
| J MacDonald  | Chief Education Officer   | 16,784                | 16,265                | 38                       | 72         | 35                  | 70         |
| P Mazzoncini | Chief Social Work Officer | 16,609                | 13,654                | 3                        | 0          | n/a                 | n/a        |
| J Robertson  | Chief Finance Officer     | 15,816                | 9,493                 | 19                       | 20         | 14                  | 16         |
| K Donnelly   | Monitoring Officer        | 15,816                | 10,179                | 4                        | 0          | n/a                 | n/a        |
| <b>Total</b> |                           | <b>128,494</b>        | <b>112,808</b>        | <b>183</b>               | <b>213</b> | <b>159</b>          | <b>206</b> |

Accrued pension benefits figures were not available at 31 March 2017 for some officers, as their membership of the pension scheme had not met the 2-year vesting period at that point.

## 6. Local Government Pension Scheme Contribution Rates

From 1 April 2009, a five-tier contribution system was introduced with contributions from each member being based on how much pay falls into each tier. This is designed to give more equality between the costs and benefits of scheme membership. Part-time workers' contribution rates are worked out on whole-time pay rate for the job, with actual contributions paid on actual pay earned.

| The tiers and members' contribution rates for 2017/18 whole time pay are as follows: | Contribution rate |
|--|-------------------|
| On earnings up to and including £20,700  | 5.50%             |
| On earnings above £20,700 and up to £25,300  | 7.25%             |
| On earnings above £25,300 and up to £34,700  | 8.50%             |
| On earnings above £34,700 and up to £46,300  | 9.50%             |
| On earnings above £46,300  | 12.00%            |

## 7. Remuneration of Other Employees

The number of Council employees, including teachers, receiving more than £50,000 remuneration for the year (excluding pension contributions) is shown in the following table. The figures include senior employees from the previous table whose remuneration for the year exceeds that shown in the table as they were in a senior position for part of the year and employed by the Council in other roles at other points in the year. For 2016/17 this relates to K Gardner, J Robertson and K Donnelly. These figures include payments for redundancy and early retirement as part of restructuring of the Council's services but exclude senior employees shown in the table before.

| Remuneration           | No. of Employees |            |
|------------------------|------------------|------------|
|                        | 2017/18          | 2016/17    |
| £50,000 - £54,999      | 66               | 70         |
| £55,000 - £59,999      | 26               | 13         |
| £60,000 - £64,999      | 6                | 15         |
| £65,000 - £69,999      | 3                | 4          |
| £70,000 - £74,999      | 5                | 3          |
| £75,000 - £79,999      | 8                | 2          |
| £80,000 - £84,999      | 3                | 1          |
| <b>Total Employees</b> | <b>117</b>       | <b>108</b> |

## 8. Exit Packages

The table below shows the number of employees who received exit packages in the bands indicated and the total cost of those packages in those bands. The figure includes: redundancy costs, strain on the fund, lump sums, actuarial benefit of pension added years, pay in lieu, and retiral awards. As required, it also includes the capitalised value of the additional contributions to be made to the pension fund. This amount is calculated actuarially and does not reflect the actual payments made in the financial year. The overall result of the exit packages is savings for the Council in future financial years. None of the departures were compulsory redundancies.

| Value of Exit Packages in Bands | 2017/18   |                  | 2016/17   |                  |
|---------------------------------|-----------|------------------|-----------|------------------|
|                                 | Number    | Cost             | Number    | Cost             |
|                                 |           | £                |           | £                |
| £0 - £20,000                    | 4         | 51,908           | 5         | 43,142           |
| £20,001 - £40,000               | 6         | 172,670          | 1         | 26,863           |
| £40,001 - £60,000               | 2         | 107,540          | 0         | 0                |
| £60,001 - £80,000               | 1         | 71,437           | 1         | 69,707           |
| £80,001 - £100,000              | 3         | 273,661          | 2         | 169,717          |
| £100,001 - £150,000             | 2         | 262,669          | 7         | 807,578          |
| £150,001 - £200,000             | 1         | 150,649          | 0         | 0                |
| £200,001 - £250,000             | 2         | 450,969          | 1         | 202,586          |
| £250,001 - £300,000             | 3         | 805,585          | 0         | 0                |
| £300,001 - £350,000             | 2         | 665,923          | 1         | 301,594          |
| £350,001 - £400,000             | 0         | 0                | 2         | 726,980          |
| <b>Total</b>                    | <b>26</b> | <b>3,013,011</b> | <b>20</b> | <b>2,348,167</b> |

## 9. Subsidiary Entities – Remuneration and Pension Entitlement

The Council includes two subsidiary entities within its Group Accounts (excluding Common Good and Trust Funds):

- Mugdock Country Park Joint Management Committee** – Under the agreement between East Dunbartonshire Council and Stirling Council, East Dunbartonshire Council is the permanent employer of the staff of Mugdock Country Park and the remuneration of all staff is determined by the job evaluation process used for Council staff. Responsibility for Mugdock Country Park lies with the Depute Chief Executive – Place, Neighbourhood & Corporate Assets whose remuneration is disclosed under **Remuneration of Senior Employees**. Six East Dunbartonshire Councillors serve on the Joint Committee and no remuneration is received for serving.
- East Dunbartonshire Leisure and Culture Trust** – On 1 April 2011, East Dunbartonshire Leisure & Culture Trust (EDLCT) came into operation. The most senior manager is the General Manager, M. Grant. Remuneration of EDLCT staff is determined by the job evaluation process used for Council staff. Five East Dunbartonshire Councillors serve on the board of EDLCT and no remuneration is received for serving.

The following tables show the remuneration, pension contributions and accrued pension benefits of the most senior manager of EDLCT. No employees of EDLCT or Mugdock Country Park receive remuneration of over £150,000.

|                           | 2017/18                   |          |                    |                    | 2016/17            |
|---------------------------|---------------------------|----------|--------------------|--------------------|--------------------|
|                           | Salary, Fees & Allowances | Expenses | Other Remuneration | Total Remuneration | Total Remuneration |
|                           | £                         | £        | £                  | £                  | £                  |
| M Grant - General Manager | 75,486                    | 0        | 0                  | 75,486             | 67,870             |

|                           | Pension Contributions |                       | Accrued Pension Benefits |          |                     |          |
|---------------------------|-----------------------|-----------------------|--------------------------|----------|---------------------|----------|
|                           | Year to 31 March 2018 | Year to 31 March 2017 | As at 31 March 2018      |          | As at 31 March 2017 |          |
|                           |                       |                       | Pension                  | Lump Sum | Pension             | Lump Sum |
|                           | £                     | £                     | £000                     | £000     | £000                | £000     |
| M Grant - General Manager | 13,910                | 10,542                | 32                       | 61       | 22                  | 44       |

Salaries are paid four-weekly and this can give rise to small differences in the actual payments made from one financial year to the next.

All information disclosed in the tables in this Remuneration Report will be audited by Audit Scotland. The other sections of the report will be reviewed by Audit Scotland to ensure they are consistent with the financial statements.

.....  
**Gerry Cornes**  
**Chief Executive**  
 Date: 27 September 2018

.....  
**Councillor Vaughan Moody**  
**Leader of the Council**  
 Date: 27 September 2018

.....  
**Councillor Andrew Polson**  
**Leader of the Council**  
 Date: 27 September 2018

## Principal Financial Statements of Single Entity

The Annual Accounts summarise the Council's transactions for the year, its year end position at 31 March 2018 and its cash flows. The Annual Accounts are prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* (the Code), which is based on International Financial Reporting Standards (IFRSs). Every effort has been made to use plain language; where technical terms are unavoidable they have been explained in the Glossary.

The Council presents statements in respect of:

- **Single entity accounts** – representing the transactions of the Council only (pages 29 to 78)
- **Group accounts** – where the Council has material interest in other organisations it is required by the Code to consolidate these results of the Council with its share in other entities (pages 79 to 88)

The four principal statements and their relationships are explained in more detail below:

- **Comprehensive Income and Expenditure Statement** – this shows the accounting cost in the year of providing services in accordance with 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 accounting position is shown in the Movement in Reserves Statement, as explained above, and the adjustments made between the accounting basis and the funding basis to reflect the amount available to the Council to meet future capital and revenue expenditure is disclosed at Note 8.
- **Movement in Reserves Statement** – this shows the movement in the year on the different reserves held by the Council, analysed in to 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves' (i.e. those that the authority is not able to use to provide services but must set aside under statute and accounting regulations). The 'Surplus or (Deficit) on the Provision of Services' line shows the true economic cost of providing the Council'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 Housing Revenue Account for the purposes of setting Council Tax and dwelling rents.
- **Balance Sheet** – this 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.
- **Cash Flow Statement** – this shows the change 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that 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.

**Notes to the Principal Financial Statements** provide further information in support of that disclosed in the main accounting statements and also where the materiality is such that further disclosure is merited.

**Supplementary Financial Statements** – these statements provide additional information on the Housing Revenue Account, the Council Tax Income Account, the Non-Domestic Rates Income Account, and Common Good Funds and Trust Funds.

## Comprehensive Income & Expenditure Statement

| 2016/17 Restated                 |                  |                         | 2017/18        |                 |                         |       |
|----------------------------------|------------------|-------------------------|----------------|-----------------|-------------------------|-------|
| Gross Expend.                    | Gross Income     | Net Expend. or (Income) | Gross Expend.  | Gross Income    | Net Expend. or (Income) | Notes |
| £000                             | £000             | £000                    | £000           | £000            | £000                    |       |
| <b>Service Revenue Accounts:</b> |                  |                         |                |                 |                         |       |
| 15,827                           | (256)            | 15,571                  | 14,135         | (84)            | 14,051                  |       |
| 26,641                           | (10,299)         | 16,342                  | 26,778         | (9,335)         | 17,443                  |       |
| 9,185                            | (2,168)          | 7,017                   | 10,023         | (1,892)         | 8,131                   |       |
| 17,829                           | (1,974)          | 15,855                  | 18,439         | (2,734)         | 15,705                  |       |
| 3,991                            | (2,720)          | 1,271                   | 3,746          | (1,994)         | 1,752                   |       |
| 1,931                            | (848)            | 1,083                   | 1,903          | (921)           | 982                     |       |
| 4,887                            | (589)            | 4,298                   | 4,879          | (809)           | 4,070                   |       |
| 134,742                          | (3,546)          | 131,196                 | 117,499        | (5,191)         | 112,308                 |       |
| 23,554                           | (19,584)         | 3,970                   | 21,530         | (17,221)        | 4,309                   |       |
| 3,323                            | (834)            | 2,489                   | 3,271          | (672)           | 2,599                   |       |
| 3,352                            | (366)            | 2,986                   | 4,138          | (345)           | 3,793                   |       |
| 10,303                           | (1,110)          | 9,193                   | 11,449         | (1,047)         | 10,402                  |       |
| 68,533                           | (16,104)         | 52,429                  | 77,238         | (21,322)        | 55,916                  |       |
| 16,150                           | (13,393)         | 2,757                   | 15,659         | (13,861)        | 1,798                   |       |
| <b>340,248</b>                   | <b>(73,791)</b>  | <b>266,457</b>          | <b>330,687</b> | <b>(77,428)</b> | <b>253,259</b>          |       |
| (6,631)                          | 6,631            | 0                       | (5,446)        | 5,446           | 0                       |       |
| <b>333,617</b>                   | <b>(67,160)</b>  | <b>266,457</b>          | <b>325,241</b> | <b>(71,982)</b> | <b>253,259</b>          | EFA   |
|                                  | (353)            |                         |                |                 | 4,047                   |       |
|                                  | <b>(353)</b>     |                         |                |                 | <b>4,047</b>            |       |
|                                  | 15,179           |                         |                |                 | 15,343                  |       |
|                                  | 5,141            |                         |                |                 | 5,716                   | 33    |
|                                  | (80)             |                         |                |                 | (132)                   | 17    |
|                                  | <b>20,240</b>    |                         |                |                 | <b>20,927</b>           |       |
|                                  | (51,302)         |                         |                |                 | (58,042)                | 28    |
|                                  | (25,550)         |                         |                |                 | (23,586)                | 28    |
|                                  | (159,542)        |                         |                |                 | (159,146)               | 28    |
|                                  | (14,467)         |                         |                |                 | (18,979)                | 28    |
|                                  | <b>(250,861)</b> |                         |                |                 | <b>(259,753)</b>        |       |
|                                  | <b>35,483</b>    |                         |                |                 | <b>18,480</b>           | 7     |
|                                  |                  |                         |                |                 |                         |       |
|                                  | 13,861           |                         |                |                 | (12,110)                | 26    |
|                                  | 62,601           |                         |                |                 | (99,355)                | 33    |
|                                  | <b>76,462</b>    |                         |                |                 | <b>(111,465)</b>        |       |
|                                  | <b>111,945</b>   |                         |                |                 | <b>(92,985)</b>         |       |

2016/17 CIES restated in accordance with guidance on simplifying presentation and reporting internal transactions.

In 2017/18, the East Dunbartonshire Health and Social Care Partnership managed services worth £68.656m on behalf of the Council (2016/17 £63.363m).



## Movement in Reserves Statement

|  | Usable Reserves      |                         |                                 |              | Total Usable Reserves | Total Unusable Reserves | Total Reserves   |
|--|----------------------|-------------------------|---------------------------------|--------------|-----------------------|-------------------------|------------------|
|  | Main Revenue         |                         | Capital and Other               |              |                       |                         |                  |
|  | General Fund Balance | Housing Revenue Balance | Capital Receipts & Capital Fund | Other Funds  |                       |                         |                  |
|  | £000                 | £000                    | £000                            | £000         | £000                  | £000                    | £000             |
| <b>Balance at 31 March 2017</b>  | <b>17,551</b>        | <b>3,217</b>            | <b>6,825</b>                    | <b>1,075</b> | <b>28,668</b>         | <b>220,495</b>          | <b>249,163</b>   |
| <b>Movement in reserves during 2017/18:</b>  |                      |                         |                                 |              |                       |                         |                  |
| <b>Total Comprehensive Income and (Expenditure)</b>  | <b>(17,241)</b>      | <b>(1,239)</b>          | <b>0</b>                        | <b>0</b>     | <b>(18,480)</b>       | <b>111,465</b>          | <b>92,985</b>    |
| Adjustments between accounting basis and funding basis under regulations ( <b>Note 8</b> ) | 14,802               | 1,812                   | 1,077                           | 0            | 17,691                | (17,691)                | 0                |
| Transfers to and from Other Statutory Reserves ( <b>Note 9</b> )                           | 1,993                | (50)                    | (1,554)                         | (389)        | 0                     | 0                       | 0                |
| <b>Increase or (Decrease) in 2017/18</b>   | <b>(446)</b>         | <b>523</b>              | <b>(477)</b>                    | <b>(389)</b> | <b>(789)</b>          | <b>93,774</b>           | <b>92,985</b>    |
| <b>Balance at 31 March 2018 carried forward</b>  | <b>17,105</b>        | <b>3,740</b>            | <b>6,348</b>                    | <b>686</b>   | <b>27,879</b>         | <b>314,269</b>          | <b>342,148</b>   |
| <b>Balance at 31 March 2016</b>  | <b>19,694</b>        | <b>2,054</b>            | <b>6,149</b>                    | <b>642</b>   | <b>28,539</b>         | <b>332,569</b>          | <b>361,108</b>   |
| <b>Movement in reserves during 2016/17:</b>  |                      |                         |                                 |              |                       |                         |                  |
| <b>Total Comprehensive Income and (Expenditure)</b>  | <b>(32,481)</b>      | <b>(3,002)</b>          | <b>0</b>                        | <b>0</b>     | <b>(35,483)</b>       | <b>(76,462)</b>         | <b>(111,945)</b> |
| Adjustments between accounting basis and funding basis under regulations ( <b>Note 8</b> ) | 29,758               | 4,165                   | 1,689                           | 0            | 35,612                | (35,612)                | 0                |
| Transfers to and from Other Statutory Reserves ( <b>Note 9</b> )                           | 580                  | 0                       | (1,013)                         | 433          | 0                     | 0                       | 0                |
| <b>Increase or (Decrease) in 2016/17</b>   | <b>(2,143)</b>       | <b>1,163</b>            | <b>676</b>                      | <b>433</b>   | <b>129</b>            | <b>(112,074)</b>        | <b>(111,945)</b> |
| <b>Balance at 31 March 2017 carried forward</b>  | <b>17,551</b>        | <b>3,217</b>            | <b>6,825</b>                    | <b>1,075</b> | <b>28,668</b>         | <b>220,495</b>          | <b>249,163</b>   |

## Balance Sheet

| 31 March 2017    |  | 31 March 2018    |       |
|------------------|--|------------------|-------|
| £000             |  | £000             | Notes |
| 728,327          | Property, Plant and Equipment              | 745,527          | 10    |
| 3,204            | Heritage Assets                            | 3,204            | 11    |
| 973              | Intangible Assets                          | 1,010            | 12    |
| 21               | Long-term Debtors                          | 124              | 20    |
| <b>732,525</b>   | <b>Long-term Assets</b>                    | <b>749,865</b>   |       |
| 626              | Current Intangible Assets                  | 378              | 22    |
| 3,276            | Assets Held for Sale                       | 3,836            | 13    |
| 550              | Inventories                                | 551              | 19    |
| 20,168           | Short-term Debtors                         | 19,291           | 20    |
| 6,400            | Cash and Cash Equivalents                  | 12,890           | 21    |
| <b>31,020</b>    | <b>Current Assets</b>                      | <b>36,946</b>    |       |
| (22,610)         | Short-term Borrowing                       | (32,321)         | 17    |
| (38,047)         | Short-term Creditors                       | (45,151)         | 23    |
| (3,610)          | Provisions                                 | (873)            | 24    |
| (6)              | Short-term Grants & Receipts in Advance    | (6)              | 23    |
| <b>(64,273)</b>  | <b>Current Liabilities</b>                 | <b>(78,351)</b>  |       |
| (144,936)        | Long-term Borrowing                        | (150,237)        | 17    |
| (84,369)         | Other Long-term Liabilities (PPP contract) | (82,272)         | 16    |
| (215,630)        | Other Long-term Liabilities (Pensions)     | (130,479)        | 33    |
| (361)            | Provisions                                 | (360)            | 24    |
| (4,813)          | Long-term Grants & Receipts in Advance     | (2,964)          | 23    |
| <b>(450,109)</b> | <b>Long-term Liabilities</b>               | <b>(366,312)</b> |       |
| <b>249,163</b>   | <b>Net Assets</b>                          | <b>342,148</b>   |       |
| 28,668           | Usable Reserves                            | 27,879           | 25    |
| 220,495          | Unusable Reserves                          | 314,269          | 26    |
| <b>249,163</b>   | <b>Total Reserves</b>                      | <b>342,148</b>   |       |

The audited annual accounts were issued on 27 September 2018.

I certify that this Balance Sheet presents a true and fair view of the financial position of the Council at 31 March 2018, and its income and expenditure for the year ended 31 March 2018.

.....  
**Jamie Robertson CPFA**  
Chief Finance Officer  
Date: 27 September 2018

## Cash Flow Statement

An analysis of the components of cash and cash equivalents follows the statement.

| 2016/17         |   | 2017/18  |                 | Notes |
|-----------------|---|----------|-----------------|-------|
|                 |   | £000     | £000            |       |
| 35,483          | <b>Net (Surplus) or Deficit on the Provision of Services</b>                                  |          | 18,480          | CIES  |
|                 | <b>Adjust for Non-Cash Movements</b>  |          |                 |       |
| (28,304)        | Depreciation and Impairment   | (28,677) |                 |       |
| (28,690)        | Revaluations  | (3,957)  |                 |       |
| (721)           | Amortisation  | (644)    |                 |       |
| 98              | (Increase)/Decrease in Impairment for Bad Debts   | (964)    |                 |       |
| 4,615           | Increase/(Decrease) in Debtors  | (1,746)  |                 |       |
| 652             | (Increase)/Decrease in Creditors  | (4,789)  |                 |       |
| (35)            | Increase/(Decrease) in Inventories  | 1        |                 |       |
| (7,124)         | Movement in Pension Liability   | (14,204) |                 |       |
| (4,207)         | Carrying Amount of Non-Current Assets Sold  | (6,582)  |                 |       |
| (784)           | Other Non-Cash Transactions   | 2,739    |                 |       |
| <b>(64,500)</b> |   |          | <b>(58,823)</b> |       |
|                 | <b>Adjust for Items in Net Surplus or Deficit that are Investing and Financing Activities</b> |          |                 |       |
| 0               | Proceeds from Short-term and Long-term Investments  |          |                 |       |
| 2,799           | Proceeds from Sale of PPE and Intangible Assets   | 1,416    |                 |       |
| 14,467          | Other Financing and Investment Activities   | 18,979   |                 |       |
| <b>17,266</b>   |   |          | <b>20,395</b>   |       |
| <b>(11,751)</b> | <b>Net Cash Flows from Operating Activities</b>   |          | <b>(19,948)</b> |       |
|                 | <b>Investing Activities</b>   |          |                 |       |
| 62,482          | Purchase of PPE and Intangible Assets   | 43,211   |                 |       |
| 0               | Purchase of Short-term and Long-term Investments  |          |                 |       |
| 0               | Other Payments for Investing Activities   |          |                 |       |
| (2,558)         | Sale of PPE and Intangible Assets   | (1,673)  |                 |       |
| (22,000)        | Sale of Short-term and Long-term Investments  |          |                 |       |
| (13,899)        | Other Receipts from Investing Activities  | (15,438) |                 |       |
| <b>24,025</b>   |   |          | <b>26,100</b>   |       |
|                 | <b>Financing Activities</b>   |          |                 |       |
| (43,625)        | Cash Receipts from Short-term and Long-term Borrowing   | (50,655) |                 |       |
| 0               | Other Receipts from Financing Activities  |          |                 |       |
| 2,676           | Reducing Liabilities on Finance Leases and PPP  | 2,370    |                 |       |
| 23,791          | Repayment of Short-term and Long-term Borrowing   | 35,643   |                 |       |
| 257             | Other Payments for Financing Activities   |          |                 |       |
| <b>(16,901)</b> |   |          | <b>(12,642)</b> |       |
| <b>(4,627)</b>  | <b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>                                 |          | <b>(6,490)</b>  |       |
| (1,773)         | Cash and Cash Equivalents at 1 April  |          | (6,400)         |       |
| <b>(6,400)</b>  | <b>Cash and Cash Equivalents at 31 March</b>  |          | <b>(12,890)</b> | 21    |

| 31 March 2017  |   | 31 March 2018   |    |
|----------------|---|-----------------|----|
| £000           |   | £000            |    |
| (17)           | Cash Held by Officers                       | (12)            |    |
| 3,485          | Bank Current Accounts                       | 5,649           |    |
| (9,868)        | Short-term Deposits (Temporary Investments) | (18,527)        |    |
| <b>(6,400)</b> | <b>Total Cash and Cash Equivalents</b>      | <b>(12,890)</b> | 21 |

| 2016/17 | Cash Flow Statement: Interest Paid and Received | 2017/18 |      |
|---------|---|---------|------|
| £000    |   | £000    |      |
| (80)    | Interest Received                               | (132)   | CIES |
| 15,179  | Interest Paid                                   | 15,343  | CIES |

## Notes to the Principal Financial Statements

### 1. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis (EFA) is to show to council tax, rent and rate payers how the funding available to the Council (i.e. government grants, rents, fees and charges, council tax and business rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It shows how this expenditure is allocated for decision-making purposes between the Council's services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2016/17 Restated  |   |   |  | 2017/18   |   |   |
|---|---|---|--|---|---|---|
| Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis (Note 2) | Net Expenditure in the Comprehensive Income and Expenditure Statement |  | Net Expenditure Chargeable to the General Fund and HRA Balances | Adjustments between the Funding and Accounting Basis (Note 2) | Net Expenditure in the Comprehensive Income and Expenditure Statement |
| £000  | £000  | £000  |  | £000  | £000  | £000  |
| 14,134  | (1,437)   | 15,571  | Chief Exec. / Depute Ch. Ex.s / Joint Brds / Misc.                     | 13,802  | (250)   | 14,052  |
| 12,096  | (4,246)   | 16,342  | Assets & Facilities  | 12,547  | (4,897)   | 17,444  |
| 3,544   | (3,473)   | 7,017   | Roads & Transportation   | 3,812   | (4,319)   | 8,131   |
| 13,747  | (2,108)   | 15,855  | Neighbourhood Services   | 13,103  | (2,602)   | 15,705  |
| 1,248   | (23)  | 1,271   | Housing  | 1,703   | (49)  | 1,752   |
| 1,027   | (56)  | 1,083   | Land, Planning & Development   | 761   | (221)   | 982   |
| 3,805   | (493)   | 4,298   | Place & Community Planning   | 3,332   | (738)   | 4,070   |
| 95,963  | (35,233)  | 131,196   | Education  | 99,058  | (13,249)  | 112,307   |
| 3,853   | (117)   | 3,970   | Finance, Audit & Performance   | 3,994   | (315)   | 4,309   |
| 2,244   | (245)   | 2,489   | Legal & Democratic Services  | 2,204   | (395)   | 2,599   |
| 2,886   | (100)   | 2,986   | Organisational Transformation  | 3,357   | (435)   | 3,792   |
| 7,716   | (1,477)   | 9,193   | Customer & Digital Services  | 8,381   | (2,021)   | 10,402  |
| 51,280  | (1,149)   | 52,429  | Social Work  | 52,095  | (3,821)   | 55,916  |
| (3,688)   | (6,445)   | 2,757   | Housing Revenue Account  | (2,948)   | (4,746)   | 1,798   |
| <b>209,855</b>  | <b>(56,602)</b>   | <b>266,457</b>  | <b>Net Cost of Services</b>  | <b>215,201</b>  | <b>(38,058)</b>   | <b>253,259</b>  |
| (208,295)   | 22,679  | (230,974)   | Other Income and Expenditure   | (213,336)   | 21,443  | (234,779)   |
| <b>1,560</b>  | <b>(33,923)</b>   | <b>35,483</b>   | <b>(Surplus) or Deficit</b>  | <b>1,865</b>  | <b>(16,615)</b>   | <b>18,480</b>   |
| <b>(21,748)</b>   |   |   | <b>Opening General Fund and HRA Balance</b>                            | <b>(20,768)</b>   |   |   |
| 1,560   |   |   | Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year | 1,865   |   |   |
| (580)   |   |   | Transfers to / from Other Statutory Reserves                           | (1,943)   |   |   |
| <b>(20,768)</b>   |   |   | <b>Closing General Fund and HRA Balance at 31 March</b>                | <b>(20,846)</b>   |   |   |

2016/17 EFA restated in accordance with guidance on simplifying presentation and reporting internal transactions.

## 2. Note to the Expenditure and Funding Analysis

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts.

| Adjustments between Funding and Accounting Basis  |   |  |                        |                           |
|---|---|--|------------------------|---------------------------|
| 2017/18   | Adjustments for Capital Purposes (Note 1)<br>£000 | Net change for the Pensions Adjustments (Note 2)<br>£000 | STACA (Note 3)<br>£000 | Total Adjustments<br>£000 |
| Chief Exec./Depute Ch. Ex.s/Joint Brds/ Misc.   | (3,256)   | 3,006  |                        | (250)                     |
| Assets & Facilities   | (2,641)   | (2,256)  |                        | (4,897)                   |
| Roads & Transportation  | (3,891)   | (428)  |                        | (4,319)                   |
| Neighbourhood Services  | (1,525)   | (1,077)  |                        | (2,602)                   |
| Housing   | (3)   | (46)   |                        | (49)                      |
| Land, Planning & Development  | (9)   | (212)  |                        | (221)                     |
| Place & Community Planning  | (441)   | (297)  |                        | (738)                     |
| Education   | (10,632)  | (2,239)  | (378)                  | (13,249)                  |
| Finance, Audit & Performance  | 0   | (315)  |                        | (315)                     |
| Legal & Democratic Services   | (20)  | (375)  |                        | (395)                     |
| Organisational Transformation   | 0   | (435)  |                        | (435)                     |
| Customer & Digital Services   | (1,016)   | (1,005)  |                        | (2,021)                   |
| Social Work   | (1,158)   | (2,647)  | (16)                   | (3,821)                   |
| Housing Revenue Account   | (4,583)   | (163)  |                        | (4,746)                   |
| <b>Net Cost of Services</b>   | <b>(29,175)</b>                                   | <b>(8,489)</b>   | <b>(394)</b>           | <b>(38,058)</b>           |
| Other Income and Expenditure  | 27,159  | (5,716)  |                        | 21,443                    |
| <b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b> | <b>(2,016)</b>                                    | <b>(14,205)</b>  | <b>(394)</b>           | <b>(16,615)</b>           |

- The capital adjustments in Net Cost of Services include charges for depreciation, impairment, amortisation and revaluation of non-current assets and capital expenditure charged against revenue and are detailed in **Note 8**.
- The capital costs for Other Income and Expenditure include gain/loss on disposal of non-current assets, capital grants and contributions, financing costs of capital investment and the difference between financing costs charged to the CIES and chargeable in year and are detailed in **Note 8**.
- The pensions adjustment and the STACA adjustment are separately identified in **Note 8**.

| <b>Adjustments between Funding and Accounting Basis</b>   |   |  |                                |                                   |
|---|---|--|--------------------------------|-----------------------------------|
| <b>2016/17 Restated</b>   | <b>Adjustments for Capital Purposes (Note 1)<br/>£000</b> | <b>Net change for the Pensions Adjustments (Note 2)<br/>£000</b> | <b>STACA (Note 3)<br/>£000</b> | <b>Total Adjustments<br/>£000</b> |
| Chief Exec./Depute Ch. Ex.s/Joint Brds/Misc.  | (2,870)   | 1,433  | 0                              | (1,437)                           |
| Assets & Facilities   | (3,157)   | (1,090)  | 0                              | (4,247)                           |
| Roads & Transportation  | (3,380)   | (92)   | 0                              | (3,472)                           |
| Neighbourhood Services  | (1,820)   | (287)  | 0                              | (2,107)                           |
| Housing   | (3)   | (20)   | 0                              | (23)                              |
| Land, Planning & Development  | (24)  | (32)   | 0                              | (56)                              |
| Place & Community Planning  | (409)   | (84)   | 1                              | (492)                             |
| Education   | (34,421)  | (492)  | (320)                          | (35,233)                          |
| Finance, Audit & Performance  | 0   | (117)  | 0                              | (117)                             |
| Legal & Democratic Services   | (84)  | (160)  | 0                              | (244)                             |
| Organisational Transformation   | 0   | (100)  | 0                              | (100)                             |
| Customer & Digital Services   | (1,293)   | (185)  | 0                              | (1,478)                           |
| Adult Social Care   | (551)   | (699)  | 99                             | (1,151)                           |
| Housing Revenue Account   | (6,387)   | (58)   | 0                              | (6,445)                           |
| <b>Net Cost of Services</b>   | <b>(54,399)</b>   | <b>(1,983)</b>   | <b>(220)</b>                   | <b>(56,602)</b>                   |
| Other Income and Expenditure  | 27,820  | (5,141)  | 0                              | 22,679                            |
| <b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b> | <b>(26,579)</b>   | <b>(7,124)</b>   | <b>(220)</b>                   | <b>(33,923)</b>                   |

2016/17 EFA restated in accordance with guidance on simplifying presentation and reporting internal transactions.

## Notes

### 1) Adjustments for Capital Purposes

This column adds in depreciation and 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.
- **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 credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### 2) Net Change for the Pensions 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 employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the CIES.

### 3) Other Differences

STACA adjustments: this represents the amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.

### 3. Future Assumptions and Estimation Uncertainties

The Annual Accounts 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 Council's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                          | Uncertainties  | Effect if Actual Results Differ from Assumptions  |
|-------------------------------|--|---|
| Property, Plant and Equipment | Estimation of the fair values and useful lives of assets are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current fiscal climate may require the Council to review current spending levels on asset repairs and maintenance, bringing into doubt fair values and useful lives assigned to assets.                     | If the useful lives of assets are reduced, depreciation will increase and the carrying value of assets will fall. It is estimated that the annual depreciation charge for buildings would increase by approximately £0.6m for every year that useful lives had to be reduced.   |
| Provision - Equal Pay         | The Council has made a provision of £0.479m for the potential outcome of outstanding claims arising from the Equal Pay Initiative. The potential cost of known claims has continued to be reviewed and the majority has been paid in 2017/18.  | An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £0.048m 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 rate used, the rate at which pay is projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Strathclyde Pension Fund has engaged a firm of consulting actuaries to provide expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. Note 33(h) to the Principal Financial Statements includes a sensitivity analysis showing the impact of varying certain assumptions. For instance, a one year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. (3-5% in 2016/17). |
| Collection Levels of Arrears  | At 31 March 2018 the Council had a balance of sundry debtors of £5.9m. A review of significant balances suggested that an allowance for doubtful debts of £2.6m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.  | If collection rates were to deteriorate a 10% increase in the amount of doubtful debts would require an additional £0.26m to be set aside as an allowance.  |

### 4. Contingent Liabilities

A contingent liability, as accounting policy in **Note 35(u)**, arises where an event has taken place that gives the Council a possible obligation the existence of which 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 benefit or obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Whilst provision has been made in the accounts for current costs arising from equal pay claims, it remains possible that further claims may be lodged by other employees at some time in the future. Given the nature of equal pay legislation and the ever-developing case law, the uncertainty around further claims, and related tribunal outcomes, it is not possible to be certain of potential future costs in this area.

There is a potential liability arising from the completion of the extension to the Bishopbriggs Relief Road with the possibility for claims involving several third parties. It is not possible to be certain of the value of these claims and any potential exposure to the Council at this time.

Following an EU ruling that determined that holiday pay must correspond to normal pay, including commission or other variable elements of pay such as overtime payments, a number of claims have been raised against the council. Approximately 139 cases remain live. This is an area of employment law that is still changing. Further guidance is expected in due course from current cases as to how Tribunals will approach calculation of the sums due, particularly in terms of the reference period to be used where pay fluctuates. At present, no liability can be quantified until further clarity is provided.

The removal of the limitation period for childhood abuse claims could result in a liability to the Council. The total extent of any claims and resultant liability cannot be fully evaluated at this stage.

Other potential liabilities that could arise, but cannot be quantified may include the former lease of Southbank House and the potential for overpayments in relation to dilapidation. The exact nature of the overpayment and the potential amount has yet to be ascertained.

## 5. Events After the Balance Sheet Date

The Chief Finance Officer issued the Unaudited Annual Accounts on 15 June 2018. There are no events taking place after this date that are not reflected in the financial statements or notes.

## 6. External Audit Costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice in financial year 2017/18 were £0.249m (2016/17 £0.257m). These figures include the audit fees in respect of the charitable trusts, which are paid by the Council.

The appointed auditors, Audit Scotland, provided no other services to the Council in the year.

## 7. Expenditure and Income Analysed by Nature

The authority's expenditure and income is analysed as follows:

| 2016/17 Restated<br>£000 |   | 2017/18<br>£000  |
|--------------------------|---|------------------|
| <b>Expenditure</b>       |   |                  |
| 154,381                  | Employee benefits expenses  | 166,960          |
| 126,837                  | Other services expenses   | 130,293          |
| 57,716                   | Depreciation, amortisation, impairment                            | 33,278           |
| 15,179                   | Interest payments   | 15,343           |
| (353)                    | Gain on the disposal of assets                                    | 4,047            |
| <b>353,760</b>           | <b>Total expenditure</b>  | <b>349,921</b>   |
| <b>Income</b>            |   |                  |
| (47,450)                 | Fees, charges, and other service income                           | (51,681)         |
| (80)                     | Interest and Investment income                                    | (132)            |
| (76,851)                 | Income from council tax, non-domestic rates, district rate income | (81,628)         |
| (193,896)                | Government grants and contributions                               | (198,000)        |
| <b>(318,277)</b>         | <b>Total income</b>   | <b>(331,441)</b> |
| <b>35,483</b>            | <b>(Surplus) or Deficit on the Provision of Services</b>          | <b>18,480</b>    |

2016/17 figures restated to remove internal charges.



## 8. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. The following sets out a description of the reserves that the adjustments are made against, and the 2017/18 and 2016/17 tables of adjustments follow on the next two pages:

**General Fund Balance** - The statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

**Housing Revenue Account Balance** - Reflects that statutory obligation to maintain a revenue account for local authority council housing provision in accordance with part VI of the *Local Government and Housing Act 1989*. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

**Capital Receipts Reserve** - Holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year end.

**Capital Fund** - Can be used to defray any expenditure of the Council to which capital is properly applicable, or in providing money for repayment of the principal of loans (but not any payment of interest on loans), subject to the provisions of Schedule 3, Section 22 (1) of the *Local Government (Scotland) Act 1975*.

**Adjustments between Accounting Basis and Funding Basis under Regulations:**

| 2017/18  | Usable Reserves |                         |               | Movements in Unusable Reserves |
|--|-----------------|-------------------------|---------------|--------------------------------|
|  | General Fund    | Housing Revenue Account | Capital Funds |                                |
|  | £000            | £000                    | £000          | £000                           |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                 |                         |               |                                |
| <b>Reversal of items debited or credited to the CIES *:</b>  |                 |                         |               |                                |
| Charges for Depreciation and Impairment of Non-Current Assets  | 20,053          | 8,624                   | 0             | (28,677)                       |
| Charges for Impairment of Assets Held for Sale   | 0               | 0                       | 0             | 0                              |
| Revaluation losses on Property, Plant and Equipment  | 4,134           | 62                      | 0             | (4,196)                        |
| Revaluation losses on Assets Held for Sale   | (239)           | 0                       | 0             | 239                            |
| Amortisation of Intangible Assets  | 644             | 0                       | 0             | (644)                          |
| Capital grants and contributions applied   | (17,441)        | (1,538)                 | 0             | 18,979                         |
| Capital/Other funds applied to fund capital expenditure  | 0               | 0                       | (42)          | 42                             |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES   | 4,479           | 2,103                   | 0             | (6,582)                        |
| <b>Insertion of items not debited or credited to the CIES:</b>   |                 |                         |               |                                |
| Statutory provision for the financing of capital investment  | (10,839)        | (1,196)                 | 0             | 12,035                         |
| Capital expenditure charged against the General Fund and HRA balances  | 0               | (4,102)                 | 0             | 4,102                          |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                 |                         |               |                                |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.  | (176)           | (2,359)                 | 1,119         | 1,416                          |
| Use of the Capital Receipts Reserve to finance new capital expenditure.  | 0               | 0                       | 0             | 0                              |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>  |                 |                         |               |                                |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory   | (163)           | (30)                    | 0             | 193                            |
| <b>Adjustments primarily involving the Pensions Reserve:</b>   |                 |                         |               |                                |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations                             | 13,956          | 248                     | 0             | (14,204)                       |
| <b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>  |                 |                         |               |                                |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 394             | 0                       | 0             | (394)                          |
| <b>Total Adjustments</b>   | <b>14,802</b>   | <b>1,812</b>            | <b>1,077</b>  | <b>(17,691)</b>                |

\* CIES - Comprehensive Income and Expenditure Statement

Note 8 continued:

| 2016/17  | Usable Reserves |                         |              | Movements in Unusable Reserves |
|--|-----------------|-------------------------|--------------|--------------------------------|
|  | General Fund    | Housing Revenue Account | Capital Fund |                                |
|  | £000            | £000                    | £000         | £000                           |
| <b>Adjustments primarily involving the Capital Adjustment Account:</b>   |                 |                         |              |                                |
| <b>Reversal of items debited or credited to the CIES *:</b>  |                 |                         |              |                                |
| Charges for Depreciation and Impairment of Non-Current Assets  | 19,829          | 8,475                   | 0            | (28,304)                       |
| Charges for Impairment of Assets Held for Sale   | 0               | 0                       | 0            | 0                              |
| Revaluation losses on Property, Plant and Equipment  | 27,737          | 929                     | 0            | (28,666)                       |
| Revaluation losses on Assets Held for Sale   | 25              | 0                       | 0            | (25)                           |
| Amortisation of Intangible Assets  | 721             | 0                       | 0            | (721)                          |
| Capital grants and contributions applied   | (13,673)        | (794)                   | 0            | 14,467                         |
| Capital/Other funds applied to fund capital expenditure  | 0               | 0                       | (73)         | 73                             |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES   | 1,923           | 2,284                   | 0            | (4,207)                        |
| <b>Insertion of items not debited or credited to the CIES:</b>   |                 |                         |              |                                |
| Statutory provision for the financing of capital investment  | (11,445)        | (1,089)                 | 0            | 12,534                         |
| Capital expenditure charged against the General Fund and HRA balances  | (300)           | (3,017)                 | 0            | 3,317                          |
| <b>Adjustments primarily involving the Capital Receipts Reserve:</b>   |                 |                         |              |                                |
| Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.  | (1,847)         | (2,714)                 | 1,762        | 2,799                          |
| Use of the Capital Receipts Reserve to finance new capital expenditure.  | 0               | 0                       | 0            | 0                              |
| <b>Adjustments primarily involving the Financial Instrument Adjustment Account:</b>  |                 |                         |              |                                |
| Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory   | (426)           | (39)                    | 0            | 465                            |
| <b>Adjustments primarily involving the Pensions Reserve:</b>   |                 |                         |              |                                |
| Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations                             | 6,994           | 130                     | 0            | (7,124)                        |
| <b>Adjustments primarily involving the Employee Statutory Adjustment Account:</b>  |                 |                         |              |                                |
| Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements. | 220             | 0                       | 0            | (220)                          |
| <b>Total Adjustments</b>   | <b>29,758</b>   | <b>4,165</b>            | <b>1,689</b> | <b>(35,612)</b>                |

\* CIES - Comprehensive Income and Expenditure Statement

## 9. Transfers to or from Other Statutory Reserves

This note sets out the amounts set aside from the General Fund in statutory reserves established under *Schedule 3 of the Local Government (Scotland) Act 1975* to provide financing for expenditure plans and the amounts transferred back to meet General Fund expenditure in 2017/18.

|   | General Fund | Housing Revenue Account | Other Statutory |                       |
|---|--------------|-------------------------|-----------------|-----------------------|
|   |              |                         | Capital Funds   | Other Statutory Funds |
|   | £000         | £000                    | £000            | £000                  |
| <b>2017/18 TRANSFER</b>                                   |              |                         |                 |                       |
| Capital Fund applied to meet cost of principal repayments | 1,554        | 0                       | (1,554)         | 0                     |
| Transfer of HRA funds to General Fund                     | 50           | (50)                    | 0               | 0                     |
| Transfer of funds to Central Energy Efficiency Fund       | (43)         | 0                       | 0               | 43                    |
| Transfer of funds from vehicle repairs & renewals         | 432          | 0                       | 0               | (432)                 |
| <b>Total Transfers 2017/18</b>                            | <b>1,993</b> | <b>(50)</b>             | <b>(1,554)</b>  | <b>(389)</b>          |
| <b>2016/17 TRANSFER</b>                                   |              |                         |                 |                       |
| Capital Fund applied to meet cost of principal repayments | 1,013        | 0                       | (1,013)         | 0                     |
| HRA transfer to General Fund                              | 110          | 0                       | 0               | (110)                 |
| Transfer of funds to Education replacement fund           | (43)         | 0                       | 0               | 43                    |
| Agreed contribution for vehicle repairs & renewals        | (500)        | 0                       | 0               | 500                   |
| <b>Total Transfers 2016/17</b>                            | <b>580</b>   | <b>0</b>                | <b>(1,013)</b>  | <b>433</b>            |

## 10. Property, Plant and Equipment

### a) Effects of Changes in Estimates

In 2017/18 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### b) Revaluation

The Council carries out a rolling programme, which ensures that all Property, Plant and Equipment required to be measured at fair value, is revalued at least every 5 years. During 2017/18, all valuations were provided by external valuers, who are members of the Royal Institute of Chartered Surveyors (MRICS) and RICS registered valuers. Valuations were undertaken in accordance with the RICS Valuation Professional Standards (The Red Book) published in January 2014 and updated in January 2015 with regard to valuation of property assets for inclusion within the financial statements. Valuations of land and buildings are carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The significant assumptions applied in estimating the fair values are:

- The definition of fair value as determined by the International Valuation Standards Council is “the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties”. This is consistent with the concept of market value, and to level 1 within the IFRS13 hierarchy.
- Infrastructure, community assets (except where a valuation option has been adopted) and assets under construction is measured at historic cost. All other classes of property, plant and equipment is measured at current value. Current value is the amount that would be exchanged for the asset in its existing use.
- Surplus assets have been valued at level 1 of the fair value hierarchy “quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date”, which is consistent with the concept of market value.
- Where there is no market-based evidence of fair value, due to the specialist nature of the property and the fact the asset is rarely sold, the Council may need to estimate fair value using a *depreciated replacement cost* (DRC) approach. The fair value of Council dwellings shall be measured using *existing use value – social housing* (EUV-SH). EUV-SH and DRC are methods of valuation that are based on fair value with additional special assumptions for each of the respective methods.
- Historic cost is used as a proxy for fair value with regards to the valuation of vehicles, plant, furniture and equipment. Councils may elect to adopt this approach for non-property assets that have short useful lives or low values (or both).

| Revaluation Cycle                  | Last       | Next       |
|------------------------------------|------------|------------|
| <b>Land and Property Type:</b>     |            |            |
| Other Land and Buildings (Phase 1) | 31/03/2017 | 31/03/2022 |
| Commercial & Industrial            | 31/03/2016 | 31/03/2021 |
| Council Dwellings (excl. Lock ups) | 31/03/2014 | 31/03/2019 |
| Other Land and Buildings (Phase 2) | 31/03/2018 | 31/03/2023 |
| Lock ups                           | 31/03/2018 | 31/03/2023 |

Other land and buildings may also be revalued where there is evidence of a potential change in value, due to instances such as in-year capital investment or impairment. Where applicable, these properties are revalued by the Council's valuer and any change in carrying value will be reflected in the accounts as a revaluation or impairment. For example, where roofing, window replacement or structural works carried out on Council dwellings are deemed to extend the useful life of the asset but not increase the carrying value, an impairment adjustment will be made against the assets concerned.

### c) Movements in Balance

#### Movements in 2017/18

|  | Assets Under Construction | Infrastructure Assets | Community Assets | Vehicles, Plant, Furniture and Equipment | Other Land and Buildings | Council Dwellings | Surplus Assets | Total Property, Plant and Equipment | PPP assets <sup>(1)</sup> |
|--|---------------------------|-----------------------|------------------|--|--------------------------|-------------------|----------------|-------------------------------------|---------------------------|
| Cost or Valuation  | £000                      | £000                  | £000             | £000                                     | £000                     | £000              | £000           | £000                                | £000                      |
| At 1 April 2017  | 38,376                    | 185,479               | 4,410            | 33,063                                   | 364,260                  | 210,031           | 1,779          | <b>837,398</b>                      | 159,144                   |
| Additions  | 22,056                    | 8,022                 | 0                | 3,514                                    | 4,640                    | 6,616             | 18             | <b>44,866</b>                       | 9                         |
| Donations  | 0                         | 0                     | 0                | 0  | 0                        | 0                 | 0              | <b>0</b>                            | 0                         |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 0                         | 0                     | 0                | 0  | 6,886                    | 0                 | (68)           | <b>6,818</b>                        | 0                         |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                         | 0                     | 0                | 0  | (8,682)                  | 0                 | (27)           | <b>(8,709)</b>                      | 0                         |
| Derecognition - Disposals  | 0                         | 0                     | 0                | (276)                                    | (4,412)                  | (2,485)           | (200)          | <b>(7,373)</b>                      | 0                         |
| Derecognition - Other  | 0                         | 0                     | 0                | 0  | 0                        | (217)             | 0              | <b>(217)</b>                        | 0                         |
| Assets reclassified (to)/from Held for Sale  | 0                         | 0                     | 0                | 0  | (717)                    | 0                 | 115            | <b>(602)</b>                        | 0                         |
| Other reclassifications  | (35,845)                  | 0                     | 0                | (339)                                    | 34,836                   | 0                 | 1,348          | <b>0</b>                            | 21                        |
| <b>At 31 March 2018</b>  | <b>24,587</b>             | <b>193,501</b>        | <b>4,410</b>     | <b>35,962</b>                            | <b>396,811</b>           | <b>213,945</b>    | <b>2,965</b>   | <b>872,181</b>                      | <b>159,174</b>            |
| <b>Accumulated Depreciation and Impairment</b>   |                           |                       |                  |  |                          |                   |                |                                     |                           |
| At 1 April 2017  | (404)                     | (50,190)              | 0                | (21,343)                                 | (9,244)                  | (27,325)          | (565)          | <b>(109,071)</b>                    | 0                         |
| Depreciation charge  | 0                         | (4,280)               | 0                | (2,859)                                  | (13,203)                 | (7,470)           | (63)           | <b>(27,875)</b>                     | (4,706)                   |
| Depreciation written out to the Revaluation Reserve  | 0                         | 0                     | 0                | 0  | 5,257                    | 0                 | 35             | <b>5,292</b>                        | 0                         |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | 0                         | 0                     | 0                | 0  | 4,569                    | 0                 | 6              | <b>4,575</b>                        | 0                         |
| Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services      | 0                         | 0                     | 0                | 0  | 0                        | (802)             | 0              | <b>(802)</b>                        | 0                         |
| Derecognition - Disposals  | 0                         | 0                     | 0                | 234                                      | 315                      | 382               | 0              | <b>931</b>                          | 0                         |
| Derecognition - Other  | 0                         | 0                     | 0                | 0  | 0                        | 155               | 0              | <b>155</b>                          | 0                         |
| Other reclassifications  | 0                         | 0                     | 0                | 50                                       | 68                       | 0                 | 23             | <b>141</b>                          | 0                         |
| <b>At 31 March 2018</b>  | <b>(404)</b>              | <b>(54,470)</b>       | <b>0</b>         | <b>(23,918)</b>                          | <b>(12,238)</b>          | <b>(35,060)</b>   | <b>(564)</b>   | <b>(126,654)</b>                    | <b>(4,706)</b>            |
| <b>Net Book Value</b>  |                           |                       |                  |  |                          |                   |                |                                     |                           |
| <b>At 31 March 2018</b>  | <b>24,183</b>             | <b>139,031</b>        | <b>4,410</b>     | <b>12,044</b>                            | <b>384,573</b>           | <b>178,885</b>    | <b>2,401</b>   | <b>745,527</b>                      | <b>154,468</b>            |
| <b>At 31 March 2017</b>  | <b>37,972</b>             | <b>135,289</b>        | <b>4,410</b>     | <b>11,720</b>                            | <b>355,016</b>           | <b>182,706</b>    | <b>1,214</b>   | <b>728,327</b>                      | <b>159,144</b>            |

(1) Schools PPP Assets included in 'Other Land & Buildings' total

| <b>Movements in 2016/17</b>  | <b>Assets Under Construction</b> | <b>Infrastructure Assets</b> | <b>Community Assets</b> | <b>Vehicles, Plant, Furniture and Equipment</b> | <b>Other Land and Buildings</b> | <b>Council Dwellings</b> | <b>Surplus Assets</b> | <b>Total Property, Plant and Equipment</b> | <b>PPP assets <sup>(1)</sup></b> |
|--|----------------------------------|------------------------------|-------------------------|---|---------------------------------|--------------------------|-----------------------|--|----------------------------------|
| <b>Cost or Valuation</b>   | <b>£000</b>                      | <b>£000</b>                  | <b>£000</b>             | <b>£000</b>                                     | <b>£000</b>                     | <b>£000</b>              | <b>£000</b>           | <b>£000</b>                                | <b>£000</b>                      |
| At 1 April 2016  | 15,763                           | 175,557                      | 4,410                   | 30,399  | 432,101                         | 206,141                  | 3,092                 | <b>867,463</b>                             | 126,465                          |
| Additions  | 39,363                           | 9,922                        | 0                       | 2,817   | 7,935                           | 4,947                    | 0                     | <b>64,984</b>                              | 28                               |
| Donations  | 0                                | 0                            | 0                       | 0   | 330                             | 0                        | 0                     | <b>330</b>                                 | 0                                |
| Revaluation increases / (decreases) recognised in the Revaluation Reserve                          | 0                                | 0                            | 0                       | 0   | (47,644)                        | 0                        | 102                   | <b>(47,542)</b>                            | 51,768                           |
| Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services | (78)                             | 0                            | 0                       | 0   | (40,052)                        | 0                        | (46)                  | <b>(40,176)</b>                            | (19,117)                         |
| Derecognition - Disposals  | 0                                | 0                            | 0                       | (153)   | (369)                           | (2,540)                  | (1,435)               | <b>(4,497)</b>                             | 0                                |
| Derecognition - Other  | 0                                | 0                            | 0                       | 0   | (390)                           | (1,020)                  | 0                     | <b>(1,410)</b>                             | 0                                |
| Assets reclassified (to)/from Held for Sale  | 0                                | 0                            | 0                       | 0   | (1,745)                         | 0                        | (9)                   | <b>(1,754)</b>                             | 0                                |
| Other reclassifications  | (16,672)                         | 0                            | 0                       | 0   | 14,094                          | 2,503                    | 75                    | <b>0</b>                                   | 0                                |
| <b>At 31 March 2017</b>  | <b>38,376</b>                    | <b>185,479</b>               | <b>4,410</b>            | <b>33,063</b>                                   | <b>364,260</b>                  | <b>210,031</b>           | <b>1,779</b>          | <b>837,398</b>                             | <b>159,144</b>                   |
| <b>Accumulated Depreciation and Impairment</b>   |                                  |                              |                         |   |                                 |                          |                       |  |                                  |
| At 1 April 2016  | (404)                            | (46,179)                     | 0                       | (18,401)  | (42,304)                        | (19,539)                 | (565)                 | <b>(127,392)</b>                           | (15,329)                         |
| Depreciation charge  | 0                                | (4,011)                      | 0                       | (3,046)   | (13,093)                        | (7,284)                  | (19)                  | <b>(27,453)</b>                            | (3,832)                          |
| Depreciation written out to the Revaluation Reserve  | 0                                | 0                            | 0                       | 0   | 33,254                          | 0                        | 20                    | <b>33,274</b>                              | 19,161                           |
| Depreciation written out to the Surplus/Deficit on the Provision of Services                       | 0                                | 0                            | 0                       | 0   | 12,437                          | 0                        | 2                     | <b>12,439</b>                              | 0                                |
| Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services      | 0                                | 0                            | 0                       | 0   | 0                               | (851)                    | 0                     | <b>(851)</b>                               | 0                                |
| Derecognition - Disposals  | 0                                | 0                            | 0                       | 104   | 69                              | 257                      | 0                     | <b>430</b>                                 | 0                                |
| Derecognition - Other  | 0                                | 0                            | 0                       | 0   | 390                             | 92                       | 0                     | <b>482</b>                                 | 0                                |
| Other reclassifications  | 0                                | 0                            | 0                       | 0   | 3                               | 0                        | (3)                   | <b>0</b>                                   | 0                                |
| <b>At 31 March 2017</b>  | <b>(404)</b>                     | <b>(50,190)</b>              | <b>0</b>                | <b>(21,343)</b>                                 | <b>(9,244)</b>                  | <b>(27,325)</b>          | <b>(565)</b>          | <b>(109,071)</b>                           | <b>0</b>                         |
| <b>Net Book Value</b>  |                                  |                              |                         |   |                                 |                          |                       |  |                                  |
| <b>At 31 March 2017</b>  | <b>37,972</b>                    | <b>135,289</b>               | <b>4,410</b>            | <b>11,720</b>                                   | <b>355,016</b>                  | <b>182,706</b>           | <b>1,214</b>          | <b>728,327</b>                             | <b>159,144</b>                   |
| <b>At 31 March 2016</b>  | <b>15,359</b>                    | <b>129,378</b>               | <b>4,410</b>            | <b>11,998</b>                                   | <b>389,797</b>                  | <b>186,602</b>           | <b>2,527</b>          | <b>740,071</b>                             | <b>111,136</b>                   |

(1) Schools PPP Assets included in 'Other Land & Buildings' total

#### d) Depreciation

The depreciation methods applied by the Council are disclosed separately in **Note 35** Accounting Policies within section (s) Property, Plant and Equipment.

#### e) Nature of Asset Holding

Within Other Land and Buildings there are assets that the Council does not own but which, due to the nature of agreements, accounting standards require the Council to recognise as assets within its balance sheet. The nature of these asset holdings is as follows:

| <b>Nature of Other Land and Buildings asset holdings</b> | <b>Owned</b> | <b>Shared Equity</b> | <b>Common Good</b> | <b>Finance Lease</b> | <b>PPP</b>  | <b>Total - Other Land and Buildings</b> |
|--|--------------|----------------------|--------------------|----------------------|-------------|---|
|  | <b>£000</b>  | <b>£000</b>          | <b>£000</b>        | <b>£000</b>          | <b>£000</b> | <b>£000</b>                             |
| As at 31 March 2018                                      | 223,674      | 1,485                | 4,946              | 0                    | 154,468     | <b>384,573</b>                          |
| As at 31 March 2017                                      | 190,794      | 1,485                | 3,593              | 0                    | 159,144     | <b>355,016</b>                          |

#### Shared Equity

The Shared Equity Scheme is a Scottish Government initiative that aims to help people on low to moderate incomes to purchase a property. The individual(s) owns the property outright, but the interests of the Council are secured by way of a standard security on the property. The Council has shown this in its Accounts by including the value of the security within Other Land and Buildings, as a donated asset, and recognising a contribution within Capital Grants and Contributions (**Note 28**) in the year in which the security is received. No securities were received in 2017/18.

## f) Capital Commitments

As at 31 March 2018, the Council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for housing and non-housing projects in 2017/18 and future years, with contracted costs of £1.009m (2016/17 £1.283m) and £2.280m (2016/17 £17.880m) respectively for the main commitments. For 2017/18 these are:

| Details                                       | £000         |
|---|--------------|
| Schools Pitch Resurfacing (various locations) | 1,300        |
| Bishopbriggs Community Hub                    | 200          |
| St Nicholas Primary School, Bearsden          | 620          |
| Lenzie Academy Roof Works                     | 160          |
| Housing Capital - Windows                     | 1,009        |
| <b>Total</b>                                  | <b>3,289</b> |

## 11. Heritage Assets

### Reconciliation of the Carrying Value of Heritage Assets Held by the Authority:

|                          | Artworks & Exhibits | Civic Regalia | Monuments & Memorials | Total        |
|--------------------------|---------------------|---------------|-----------------------|--------------|
| <b>Cost or Valuation</b> | <b>£000</b>         | <b>£000</b>   | <b>£000</b>           | <b>£000</b>  |
| 1 April 2017             | 2,023               | 605           | 576                   | 3,204        |
| <b>31 March 2018</b>     | <b>2,023</b>        | <b>605</b>    | <b>576</b>            | <b>3,204</b> |
| <b>Cost or Valuation</b> |                     |               |                       |              |
| 1 April 2016             | 2,023               | 605           | 576                   | 3,204        |
| <b>31 March 2017</b>     | <b>2,023</b>        | <b>605</b>    | <b>576</b>            | <b>3,204</b> |

**Archives** - In keeping with Council policy (**Note 35 m**) these assets are not included in the Council's Balance Sheet. Council records preserved in the Archives include original signed minutes and accounts, high level strategies, policies and reports, statutory registers (e.g. Building Standards Register), building plans, school records, legal documents (e.g. compulsory purchase records), records of landfill and contaminated waste sites, burial registers and plans, records of civic events, corporate identity and branding. In addition, the Council preserves records of historical or research interest that have been donated by local families, businesses and organisations such as the Lion Foundry Co Ltd, J&J Hay Boatbuilders, Gartshore Estate Papers, and West of Scotland Football Club.

**Artworks and Exhibits** - Much of the Council's artwork collection is located at the Lillie Art Gallery, which houses around 450 works including paintings, prints, drawings and a small collection of sculpture and ceramics. Since the Gallery opened in 1962, the founding bequest of artworks from Robert Lillie has been developed to form a collection of Scottish art dating from the 1880s to the present day.

Collections include work from several of the 'Glasgow Boys' and the Scottish Colourists (incl. Francis Cadell and Leslie Hunter), as well as renowned works by Joan Eardley.

The Auld Kirk Museum reflects the rich history of the local area, from Roman artefacts to innovations of the 20<sup>th</sup> century, and houses around 13,000 objects that reveal the social, industrial and everyday activities of people who lived or worked in East Dunbartonshire. Some highlights of the collection are: watercolour by Robert Macaulay Stevenson; counter advert for Sister Laura's Baby Food; Kirkintilloch Temperance Society cup and saucer; and a K6 red Telephone Kiosk.

**Civic Regalia** - The Council holds 29 chains of office relating to the current and predecessor authorities. A small number of these items are worn by office bearers at ceremonial and civic events.

**Listed Buildings and Scheduled Ancient Monuments** - In keeping with Council policy (**Note 35 m**) these assets are not included in the Council's Balance Sheet. The Council has numerous Scheduled Ancient Monuments within its boundaries, the most famous of which would be the Antonine Wall.

**Monuments and Memorials** - This category includes statues, bandstands, fountains as well as memorial structures. Peel Park Bandstand, Kirkintilloch, is an example of structures that are included in this category.

## 12. Intangible Assets

The Council accounts for purchased 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 software licences, warranties and internally generated assets.

The carrying amount of intangible assets is amortised on a straight-line basis over the expected life of the asset. There have been no changes to the estimated useful life of any intangible assets during the year.

The amortisation of £0.644m in 2017/18 (2016/17 £0.721m) has been charged across various services and included in the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement.

| 2016/17      | Movement in Intangible Assets             | 2017/18      |
|--------------|---|--------------|
| £000         |   | £000         |
|              | <b>Balance at start of year:</b>          |              |
| 4,064        | Gross carrying amounts                    | 4,344        |
| (2,650)      | Accumulated amortisation                  | (3,371)      |
| <b>1,414</b> | <b>Net carrying amount at 1 April</b>     | <b>973</b>   |
|              |   |              |
| 280          | Purchases                                 | 681          |
| (721)        | Amortisation for the year                 | (644)        |
| <b>973</b>   | <b>Net carrying amount at end of year</b> | <b>1,010</b> |
|              |   |              |
|              | <b>Comprising:</b>                        |              |
| 4,344        | Gross carrying amounts                    | 5,025        |
| (3,371)      | Accumulated amortisation                  | (4,015)      |
| <b>973</b>   | <b>Total</b>                              | <b>1,010</b> |

There are no items that are individually material to the financial statements.

## 13. Assets Held for Sale (Current)

| 2016/17      |   | 2017/18      |
|--------------|---|--------------|
| £000         |   | £000         |
| <b>1,266</b> | <b>Balance outstanding at start of year</b>   | <b>3,276</b> |
| 14           | Additions   | 0            |
|              | Assets newly classified as held for sale:   |              |
| 1,754        | - Property, Plant and Equipment   | 706          |
| 407          | Revaluation gains/(losses) reflected in Revaluation Reserve                             | 0            |
| (25)         | Revaluation gains/(losses) reflected in Surplus or Deficit on Provision of Services     | 239          |
|              | Impairment (losses) / reversal reflected in Surplus or Deficit on Provision of Services | 0            |
|              | Assets declassified as held for sale:   |              |
| 0            | - Property, Plant and Equipment   | (245)        |
| (140)        | Assets sold   | (140)        |
| <b>3,276</b> | <b>Balance outstanding at year end</b>  | <b>3,836</b> |



## 14. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (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.

| 2016/17        |  | 2017/18        |
|----------------|--|----------------|
| £000           |  | £000           |
| <b>256,924</b> | <b>Opening Capital Financing Requirement</b>                               | <b>289,343</b> |
|                | <b>Capital Investment:</b>   |                |
| 64,999         | Property, Plant and Equipment  | 44,866         |
| 280            | Intangible Assets  | 681            |
| <b>65,279</b>  | <b>Total Capital Investment</b>  | <b>45,547</b>  |
|                | <b>Sources of Finance:</b>   |                |
| 2,799          | Capital Receipts   | 1,416          |
| 14,138         | Government Grants and Other Contributions                                  | 18,979         |
| 72             | Contribution from Capital Funds  | 42             |
| 3,317          | Capital from Current Revenue   | 4,102          |
| <b>20,326</b>  | <b>Total Capital Receipts, Grants &amp; Other Contributions</b>            | <b>24,539</b>  |
| 9,858          | Loans Fund Principal Repayments  | 9,664          |
| 2,676          | PPP / Finance Lease Principal Repayments                                   | 2,371          |
| <b>32,860</b>  | <b>Total Sources of Finance</b>  | <b>36,574</b>  |
| <b>289,343</b> | <b>Closing Capital Financing Requirement</b>                               | <b>298,316</b> |
| <b>32,419</b>  | <b>Movement in Year</b>  | <b>8,973</b>   |
|                | Explained by:  |                |
| 32,419         | Increase/(decrease) in underlying need to borrow (supported by Government) | 8,973          |
| <b>32,419</b>  | <b>Increase / (decrease) in Capital Financing Requirement</b>              | <b>8,973</b>   |

## 15. Impairment Losses

During 2017/18 the Council incurred net impairment losses of £0.802m (2016/17 £0.494m) which were charged to the Comprehensive Income and Expenditure Statement. This is comprised of £0.802m for Council Dwellings (2016/17 £0.852m). 2016/17 also had a reversal of £0.358m of previous impairments for Other Land and Buildings.

## 16. Schools Public Private Partnership

2017/18 was the eighth year of a 30-year PPP contract for the construction and maintenance of six secondary schools and related facilities. The schools became operational in summer 2009, and the Council makes annual payments under the PPP agreement to InspirED Education (East Dunbartonshire) Limited who operate the PPP schools on behalf of the Council, and who are required to ensure the availability of these buildings to a pre-agreed standard. When the agreement ends in 2039, ownership of the buildings will transfer to the Council for nil consideration, and with a guarantee of no major maintenance requirements for a five-year period.

### a) Payments

The Council makes an agreed annual payment that is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

| Payments remaining at 31 March 2018: | Payments for Services (incl. lifecycle maintenance) | Repayment of Liability | Finance Interest | Total          |
|--------------------------------------|---|------------------------|------------------|----------------|
|                                      | £000  | £000                   | £000             | £000           |
| Payable within 1 year                | 5,699   | 2,098                  | 7,442            | 15,239         |
| Payable within 2 to 5 years          | 21,975  | 12,281                 | 29,812           | 64,068         |
| Payable within 6 to 10 years         | 44,375  | 11,318                 | 31,868           | 87,561         |
| Payable within 11 to 15 years        | 46,547  | 18,406                 | 31,722           | 96,675         |
| Payable within 16 to 20 years        | 43,344  | 32,486                 | 30,907           | 106,737        |
| Payable within 21 to 25 years        | 9,937   | 7,781                  | 4,927            | 22,645         |
| <b>Total</b>                         | <b>171,877</b>                                      | <b>84,370</b>          | <b>136,678</b>   | <b>392,925</b> |

### b) Liabilities from PPP Arrangements

Although the payments to the provider are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to be paid to the contractor for capital expenditure incurred is as follows:

| 2016/17                          |   | 2017/18       |
|----------------------------------|---|---------------|
| £000                             |   | £000          |
| <b>89,417</b>                    | <b>Balance outstanding at start of year</b>     | <b>86,740</b> |
| (2,677)                          | Payments during the year                        | (2,370)       |
| <b>86,740</b>                    | <b>Balance outstanding at year-end</b>          | <b>84,370</b> |
| <b>Included in Balance Sheet</b> |   |               |
| 2,371                            | Current (included within Short Term Creditors)  | 2,098         |
| 84,369                           | Non-Current (shown separately on Balance Sheet) | 82,272        |
| <b>86,740</b>                    | <b>Total</b>                                    | <b>84,370</b> |

### c) Property, Plant and Equipment

The assets used to provide services at the schools are recognised on the Council's Balance Sheet. Movements in value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment in **Note 10**.

## 17. Financial Instruments

### a) Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

| 31 March 2017 |         |   | 31 March 2018 |         |
|---------------|---------|---|---------------|---------|
| Long-term     | Current |   | Long-term     | Current |
| £000          | £000    |   | £000          | £000    |
|               |         | <b>Financial Assets:</b>                  |               |         |
| 0             | 0       | <b>Investments:</b> Loans and Receivables | 0             | 0       |
| 21            | 18,844  | <b>Debtors:</b> Loans and Receivables     | 124           | 17,846  |
|               |         | <b>Financial Liabilities:</b>             |               |         |
|               |         | <b>Borrowings</b>                         |               |         |
| 144,936       | 22,610  | Financial liabilities at amortised cost   | 150,237       | 32,321  |
|               |         | <b>Other Long-term Liabilities</b>        |               |         |
| 84,369        | 2,371   | PPP and finance lease liabilities         | 82,272        | 2,098   |
|               |         | <b>Creditors</b>                          |               |         |
| 5,189         | 34,960  | Financial liabilities at amortised cost   | 2,964         | 43,059  |

**b) Income, Expense, Gains and Losses**

| 2016/17                                 |   |                |   | 2017/18                                 |   |                |
|---|---|----------------|---|---|---|----------------|
| Financial Liabilities at Amortised Cost | Financial Assets: Loans and Receivables | Total          |   | Financial Liabilities at Amortised Cost | Financial Assets: Loans and Receivables | Total          |
| £000                                    | £000                                    | £000           |   | £000                                    | £000                                    | £000           |
| (7,585)                                 | 0                                       | (7,585)        | Interest Expense  | (7,695)                                 | 0                                       | (7,695)        |
| <b>(7,585)</b>                          | <b>0</b>                                | <b>(7,585)</b> | <b>Total expense in Surplus or Deficit on Provision of Services</b> | <b>(7,695)</b>                          | <b>0</b>                                | <b>(7,695)</b> |
| 0                                       | 80                                      | 80             | Interest income   | 0                                       | 132                                     | 132            |
| <b>0</b>                                | <b>80</b>                               | <b>80</b>      | <b>Total income in Surplus or Deficit on Provision of Services</b>  | <b>0</b>                                | <b>132</b>                              | <b>132</b>     |
| <b>(7,585)</b>                          | <b>80</b>                               | <b>(7,505)</b> | <b>Net gain / (loss) for the year</b>                               | <b>(7,695)</b>                          | <b>132</b>                              | <b>(7,563)</b> |

**c) Reclassifications and Soft Loans**

The Council did not reclassify any financial assets or liabilities between categories during the year. A soft loan is a loan made by the Council to another entity at an interest rate significantly below market interest rates. There are no 'soft' loans for consideration in 2017/18.

**d) Fair Values of Assets and Liabilities**

Financial assets (represented by lending and long-term debtors) and financial liabilities (represented by borrowing and long-term creditors) are carried in the balance sheet at amortised cost in accordance with the accounting regulations. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- the valuation date is 31 March 2018.
- the discount factor used in the Net Present Value (NPV) calculations is the comparable premature repayment rate of the same financial instrument from a comparable lender with a published market rate at the valuation date, using bid prices where applicable. A consistent approach has been applied to assets and liabilities.
- for all Public Works Loan Board debt (PWLB), the premature repayment rate at 31 March 2018 has been used as the discount rate.
- the fair values include accrued interest up to and including the valuation date.
- there are no investments in equity instruments up to and including the valuation date.

Expert professional assistance from treasury advisers has been used in the assessment of the fair values below:

| 31 March 2017   |            | Fair Value of Financial Assets | 31 March 2018   |            |
|-----------------|------------|--------------------------------|-----------------|------------|
| Carrying Amount | Fair Value |                                | Carrying Amount | Fair Value |
| £000            | £000       |                                | £000            | £000       |
| 0               | 0          | Financial assets               | 0               | 0          |
| 18,865          | 18,865     | Debtors                        | 23,082          | 23,082     |

The Council holds collateral as security against certain lending and debt due. This takes the form of mortgages on dwelling houses for loans as "lender of last resort" to assist owners to buy their homes. The fair value of the collateral is £0.5m (2016/17 £0.2m) which is considered to be sufficient to meet the current obligations due. The Council holds no long-term investments. Short-term deposits that mature within 3 months meet the classification of Cash and Cash Equivalents and are accounted for as such; other deposits (maturity between 3 months and 1 year) are disclosed as Financial Assets.

| 31 March 2017   |            | Fair Value of Financial Liabilities | 31 March 2018   |            |
|-----------------|------------|-------------------------------------|-----------------|------------|
| Carrying Amount | Fair Value |                                     | Carrying Amount | Fair Value |
| £000            | £000       |                                     | £000            | £000       |
| 167,546         | 258,896    | Financial liabilities               | 182,559         | 273,450    |
| 86,741          | 159,409    | PPP and finance lease liabilities   | 89,435          | 148,245    |
| 41,075          | 41,075     | Creditors                           | 45,327          | 45,327     |

The fair value is higher than the carrying amount because the Council's portfolio of loans includes a number of 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 the current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of loans.

Where an instrument will mature within the next 12 months, the carrying amount is assumed to approximate to fair value. Current financial liabilities are included in the above total. The long-term debtors and creditors held are deemed non-material, and the carrying amount is assumed to approximate to the fair value. Short-term debtors and creditors are carried at cost, as this is a fair approximation of their value.

## 18. Nature and Extent of Risks Arising from Financial Instruments

### a) *Management of Treasury Risk*

The Council's activities expose it to a variety of financial risks:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **Liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **Market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

The Council's management of treasury risk actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council manages its risk by:

- a full and formal adoption of the requirements of CIPFA's Treasury Management in the Public Services: Code of Practice.
- the adoption of written principles for overall risk management and rigorous observance of the written policies and procedures which cover specific areas such as interest rate risk, credit risk and investment of surplus cash.
- the management of risk by a central specialist Treasury Management team, which is responsible for all treasury matters and reports directly to the Chief Finance Officer.
- continuing professional development by all staff involved in treasury management in line with *TMP10 Training and Qualifications*.
- the approval annually in advance of Prudential Indicators for the forthcoming three years, that includes formal limits upon the Council's overall borrowing via the Authorised and Operational Boundaries; maximum and minimum exposures to both fixed and variable rates; and restrictions upon the maturity structure of the Council's debt.

### b) *Reporting to Elected Members*

Members of the Audit and Risk Management Committee receive regular reports on treasury matters. Before the start of the financial year, Members receive an Annual Treasury Management and Investment Strategy that outlines the approach to managing risk of financial instruments for the forthcoming year. Actual performance is reported in a mid-year report, including any significant variations from the strategy and updated Prudential Indicators. After the year end, and once the final accounts are complete, Members receive an Annual Treasury Report on the year's outturn performance with the outturn Prudential Indicators.

### c) *Management of 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 exposure to the Council's customers.

This risk is minimised through the Annual Treasury Management and Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as independently assessed by the Council's treasury advisers. The Annual Treasury Management and Investment Strategy also imposes a prudent maximum sum to be invested with a particular financial institution or category of financial institutions.

For 2017/18, the following criteria applied to ensure the Council had a pool of high quality counterparties for investment:

- **Banks 1 – Good Credit Quality**

The Council will only use banks which have at least the following Fitch, Moody's and Standard & Poors credit ratings (where rated), and where the institution is non-UK, where the Sovereign has a minimum long-term rating of AAA from all three agencies.

- Short-term - F1
- Long-term - A – (A minus)

UK institutions, which meet the above minimum rating criteria, can continue to be used in the event that the UK Government sovereign rating was reduced from AAA.

- **Banks 2 – Part Nationalised Banks – Lloyds Bank Group and Royal Bank of Scotland Group**

These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.

- **Banks 3**

The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised where possible and maintained in an instantly accessible call account.

- **Building Societies**

The Council will use all Societies that meet the ratings for banks outlined above.

- **UK Government**

Including gilts and the Debt Management Account Deposit Facility (DMADF)

- **Money Market Funds**

Funds used will be 'AAA' rated

- **Local Authorities**

Investments and deposits at 31 March 2018 totalling £18.526m (2016/17 £9.868m) were placed with banks and Money Market Funds, and held in sterling. This total of £18.526m was of a short-term nature and therefore classed as Cash and Cash Equivalents. The following analysis summarises the Council's potential maximum exposure to credit risk, based on past experience and adjusted to reflect current market conditions:

| <i>Estimated maximum exposure to default and uncollectability</i> |  | Amount | Historical experience of non-payment adjusted for market conditions | Estimated maximum exposure to default and uncollectability |
|---|--|--------|---|--|
| £000  |  | £000   | %   | £000   |
|   |  | (A)    | (B)   | (A x B)  |
| 0 Deposits with banks, building societies and local authorities   |  | 18,500 | 0.0%  | 0  |
| 927 Customers (trade debtors excl. Council Tax)                   |  | 5,928  | 10.5%   | 622  |

No credit limits were exceeded during the year. The Council expects full repayment on the due date of deposits placed with its counterparties. The Council does not generally allow credit for customers. At the balance sheet date a sum of £5.928m (2016/17 £8.826m) was due from sundry debtor income billed to customers and housing benefit overpayments as shown in the table above. However, only £2.312m (2016/17 £4.068m) of this debt can be classed as past its due date for payment. The past due amount is analysed by age in the table below. The Council has made provision for the loss of income based on previous experience.

| 31 March 2017 |                        | 31 March 2018 |  |
|---------------|------------------------|---------------|--|
| £000          |                        | £000          |  |
| 2,456         | Less than three months | 479           |  |
| 62            | Three to six months    | 118           |  |
| 235           | Six months to one year | 431           |  |
| 1,315         | More than one year     | 1,284         |  |
| <b>4,068</b>  | <b>Total</b>           | <b>2,312</b>  |  |

The Council will assess the risk of default on these debts during the year, and make an appropriate provision for bad debts at the balance sheet date. This has been assessed at £2.6m for 2017/18 (2016/17 £2.4m), based on an assessment of sundry debtors and the Council's history of collectability within various categories of customers.

HRA Housing rent arrears of £1.355m (2016/17 £1.178m) existed at the year end. The Council has processes in place to pursue these arrears and has a bad debt provision of £1.026m (2016/17 £0.862m) to recognise impairment.

#### d) Management of Liquidity Risk

The Council has a responsive system of safeguards for the management of cash flow that seeks to ensure that cash is available as needed. The Council has ready access to borrowings from market loans and the UK Treasury's Public Works Loans Board. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments. The Council has secure 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. The Council sets limits on the proportion of its fixed rate borrowing during specified periods. The Council's policy is to ensure that not more than 20% of loans are due to mature within any financial year through a combination of prudent planning of new loans and, where it is economic to do so, making early repayments. Any amendments to these policies, whether short-term or long-term, require the prior approval of the Council.

The maturity analysis of financial liabilities is:

| 31 March 2017       |                            | 31 March 2018  |  |
|---------------------|----------------------------|----------------|--|
| £000                |                            | £000           |  |
| 22,610              | Less than one year         | 32,321         |  |
| 6,299               | Between one and two years  | 8,014          |  |
| 18,113              | Between two and five years | 11,045         |  |
| 7,410               | Between five and 10 years  | 6,490          |  |
| 16,179              | Between 10 and 15 years    | 17,164         |  |
| 19,672              | Between 15 and 20 years    | 19,506         |  |
| 7,845               | Between 20 and 25 years    | 7,000          |  |
| 3,000               | Between 25 and 30 years    | 3,000          |  |
| 66,418              | Over 30 years              | 78,019         |  |
| <b>167,546</b>      | <b>Total</b>               | <b>182,559</b> |  |
| <b>Analysed as:</b> |                            |                |  |
| 22,610              | Current                    | 32,321         |  |
| 144,936             | Non-Current                | 150,238        |  |
| <b>167,546</b>      | <b>Total</b>               | <b>182,559</b> |  |

All other amounts payable by the Council for trade creditors are due to be paid in less than one year.

#### e) Management of Market Risk

The key area of market risk for the Council is in terms of its exposure to interest rate movements on its borrowings and investments. Changes in interest rates influence the interest payable on borrowings and on interest receivable on surplus fund invested. For example, a rise in interest rates would mean an increase in the interest charged 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.

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 25% 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 daily 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 the restructuring of existing borrowings.

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

| 31 March 2017                       |  | 31 March 2018 |
|-------------------------------------|--|---------------|
| £000                                |  | £000          |
| <b>Impact on taxpayer</b>           |  |               |
| (159)                               | Increase on interest receivable on variable rate lending   | (142)         |
| <b>(159)</b>                        | <b>Net effect on Comprehensive Income and Expenditure Statement</b>  | <b>(142)</b>  |
| <b>Other presentational changes</b> |  |               |
| 37,334                              | Decrease in the "fair value" of fixed rate borrowing (no impact on the Surplus or Deficit in the Comprehensive Income and Expenditure Statement) | 39,794        |

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

The Council holds a ring fenced Treasury Management Reserve within the General Fund Balance to assist with medium term fluctuations in borrowing and interest rates.

Other areas of market risk are price risk and foreign exchange risk. The Council has no exposure to these risks through its treasury activities:

- The Council does not invest in equity shares (so called 'available-for-sale' assets) and consequently is not exposed to gains or losses arising from movements in the prices of shares.
- The Council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

## 19. Inventories

| 2016/17           |                       |         | 2017/18           |                       |         |
|-------------------|-----------------------|---------|-------------------|-----------------------|---------|
| Consumable Stores | Maintenance Materials | Total   | Consumable Stores | Maintenance Materials | Total   |
| £000              | £000                  | £000    | £000              | £000                  | £000    |
| 579               | 6                     | 585     | 550               | 0                     | 550     |
| 3,816             | 30                    | 3,846   | 3,975             | 0                     | 3,975   |
| (3,845)           | (36)                  | (3,881) | (3,974)           | 0                     | (3,974) |
| 0                 | 0                     | 0       | 0                 | 0                     | 0       |
| 550               | 0                     | 550     | 551               | 0                     | 551     |

## 20. Debtors

| 31 March 2017 |           |                                       | 31 March 2018 |            |
|---------------|-----------|---------------------------------------|---------------|------------|
| Current       | Long-term |                                       | Current       | Long-term  |
| £000          | £000      |                                       | £000          | £000       |
| 6,581         | 0         | Central government bodies             | 6,826         | 0          |
| 1,126         | 0         | Other local authorities               | 932           | 0          |
| 1,707         | 0         | NHS bodies                            | 182           | 0          |
| 873           | 0         | Public corporations and trading funds | 941           | 0          |
| 9,881         | 21        | External to general government        | 10,410        | 124        |
| <b>20,168</b> | <b>21</b> | <b>Total</b>                          | <b>19,291</b> | <b>124</b> |

## 21. Cash and Cash Equivalents

| 31 March 2017 |   | 31 March 2018 |
|---------------|---|---------------|
| £000          |   | £000          |
| 17            | Cash held by the Council  | 12            |
| (3,485)       | Bank current accounts   | (5,649)       |
| 9,868         | Deposits up to three months with UK banks, building societies and local authorities | 18,527        |
| <b>6,400</b>  | <b>Total</b>  | <b>12,890</b> |

## 22. Current Intangible Assets

| 31 March 2017 |                                       | 31 March 2018 |  |
|---------------|---------------------------------------|---------------|--|
| £000          |                                       | £000          |  |
| 626           | Carbon Reduction Commitment Allowance | 378           |  |
| <b>626</b>    | <b>Total</b>                          | <b>378</b>    |  |

## 23. Creditors

| 31 March 2017   |                     |                | 31 March 2018   |                     |                |
|-----------------|---------------------|----------------|-----------------|---------------------|----------------|
| Current         |                     | Long-term      | Current         |                     | Long-term      |
| Creditors       | Receipts in Advance | Creditors      | Creditors       | Receipts in Advance | Creditors      |
| £000            | £000                | £000           | £000            | £000                | £000           |
| (4,758)         | 0                   | 0              | (5,418)         | (6)                 | 0              |
| (4,761)         | 0                   | 0              | (3,846)         | 0                   | 0              |
| (464)           | 0                   | 0              | (375)           | 0                   | 0              |
| (161)           | 0                   | 0              | (237)           | 0                   | 0              |
| (27,903)        | (6)                 | (4,813)        | (35,275)        | 0                   | (2,964)        |
| <b>(38,047)</b> | <b>(6)</b>          | <b>(4,813)</b> | <b>(45,151)</b> | <b>(6)</b>          | <b>(2,964)</b> |

## 24. Provisions

|                                       | Current Provisions |              |                |              | Long term Provisions |            |
|---------------------------------------|--------------------|--------------|----------------|--------------|----------------------|------------|
|                                       | SOM Back Pay       | Equal Pay    | Municipal Bank | Total        | Insurance            | Total      |
| Notes                                 | (1)                | (2)          | (3)            |              | (4)                  |            |
|                                       | £000               | £000         | £000           | £000         | £000                 | £000       |
| <b>Balance at 1 April 2017</b>        | <b>1,677</b>       | <b>1,933</b> | <b>0</b>       | <b>3,610</b> | <b>361</b>           | <b>361</b> |
| Additional provisions made in 2017/18 | 0                  | 0            | 49             | 49           | 0                    | 0          |
| Amounts used in 2017/18               | (1,253)            | (1,422)      | 0              | (2,675)      | 0                    | 0          |
| Unused amounts reversed in 2017/18    | (79)               | (32)         | 0              | (111)        | (1)                  | (1)        |
| <b>Balance at 31 March 2018</b>       | <b>345</b>         | <b>479</b>   | <b>49</b>      | <b>873</b>   | <b>360</b>           | <b>360</b> |

### Notes:

- (1) This relates to a provision for the potential outcome of outstanding SOM back pay costs.
- (2) This relates to a provision for the potential outcome of outstanding equal pay claims. The detailed information in support of the provision has been updated, and based on this. There are no further costs expected than those held in the provision.
- (3) The Council has closed its Municipal Bank but has provided for future claims on balances.
- (4) An assessment of identified liabilities in respect of insurance claims outstanding against the former Strathclyde Regional Council and Strathkelvin District Council is the basis of this provision. The Council were notified of the inability for a solvent run off of the former Municipal Mutual Insurance, and this triggered a claw back of previously settled costs, resulting in the potential for increased costs to be met by the Council in future years.



## 25. Usable Reserves

This note provides details of the balances on the reserves that form 'Usable Reserves' on the Balance Sheet.

| 31 March 2017 |                                | 31 March 2018 |
|---------------|--------------------------------|---------------|
| £000          |                                | £000          |
| 17,551        | General Fund Balance           | 17,105        |
| 3,217         | HRA Balance                    | 3,740         |
| 0             | Capital Fund - HRA             | 1,000         |
| 6,825         | Capital Fund                   | 5,348         |
| 75            | Central Energy Efficiency Fund | 118           |
| 1,000         | Vehicle Renewal & Repair Fund  | 568           |
| <b>28,668</b> | <b>Total Usable Reserves</b>   | <b>27,879</b> |

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement. A significant proportion of the General Fund balance, shown in the Movement in Reserves Statement, has been earmarked to fund specific projects in future years.

The amounts set aside for earmarked reserves are shown in the following table:

|   | Balance at<br>31/03/2016 | Transfers<br>Out<br>2016/17 | Transfers<br>In<br>2016/17 | Balance<br>at<br>31/03/2017 | Transfers<br>Out<br>2017/18 | Transfers<br>In<br>2017/18 | Balance at<br>31/03/2018 |
|---|--------------------------|-----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|--------------------------|
|   | £000                     | £000                        | £000                       | £000                        | £000                        | £000                       | £000                     |
| Modernisation, Efficiency and Reform initiatives        | 235                      | (235)                       | 305                        | 305                         | (305)                       | 0                          | 0                        |
| External funding carried forward to complete projects   | 1,331                    | (1,331)                     | 391                        | 391                         | (288)                       | 147                        | 250                      |
| Contribution to ring fenced Treasury Management Reserve | 800                      | (800)                       | 0                          | 0                           | 0                           | 0                          | 0                        |
| Service Commitments to ongoing projects                 | 955                      | (955)                       | 1,400                      | 1,400                       | (998)                       | 115                        | 517                      |
| Contribution to Repairs & Renewals Fund                 | 500                      | (500)                       | 0                          | 0                           | 0                           | 0                          | 0                        |
| Ear-marked for Equal Pay                                | 2,050                    | (2,050)                     | 0                          | 0                           | 0                           | 0                          | 0                        |
| Job Evaluation - OP                                     | 0                        | 0                           | 598                        | 598                         | 0                           | 0                          | 598                      |
| Job Evaluation - SOM (Trust)                            | 0                        | 0                           | 186                        | 186                         | (165)                       | 4                          | 25                       |
| Commitment to budget pressures 18/19 onwards            | 0                        | 0                           | 355                        | 355                         | (355)                       | 0                          | 0                        |
| Council Recommendations                                 | 0                        | 0                           | 300                        | 300                         | (300)                       | 0                          | 0                        |
| Winter  | 0                        | 0                           | 150                        | 150                         | 0                           | 0                          | 150                      |
| HRA Retained surplus                                    | 307                      | (307)                       | 1,163                      | 1,163                       | (1,163)                     | 0                          | 0                        |
| Commitment to Costs of Change                           | 0                        | 0                           | 0                          | 0                           | 0                           | 2,168                      | 2,168                    |
| Commitment to budget pressures                          | 3,919                    | (3,918)                     | 998                        | 999                         | (999)                       | 2,193                      | 2,193                    |
| <b>Total Earmarked Reserves</b>                         | <b>10,097</b>            | <b>(10,096)</b>             | <b>5,846</b>               | <b>5,847</b>                | <b>(4,573)</b>              | <b>4,627</b>               | <b>5,901</b>             |
| Prudential Reserve                                      | 3,000                    | 0                           | 750                        | 3,750                       | (750)                       | 0                          | 3,000                    |
| Treasury Management Reserve                             | 2,184                    | 0                           | 800                        | 2,984                       | 0                           | 0                          | 2,984                    |
| Contingency Reserve                                     | 4,263                    | 0                           | 357                        | 4,620                       | 0                           | 250                        | 4,870                    |
| Uninsured Losses Reserve                                | 150                      | 0                           | 200                        | 350                         | 0                           | 0                          | 350                      |
| <b>Total Non-Earmarked Reserves</b>                     | <b>9,597</b>             | <b>0</b>                    | <b>2,107</b>               | <b>11,704</b>               | <b>(750)</b>                | <b>250</b>                 | <b>11,204</b>            |
| <b>Total General Fund Balance</b>                       | <b>19,694</b>            | <b>(10,096)</b>             | <b>7,953</b>               | <b>17,551</b>               | <b>(5,323)</b>              | <b>4,877</b>               | <b>17,105</b>            |

## 26. Unusable Reserves

This note provides details of the balances on the reserves that form 'Unusable Reserves' on the Balance Sheet.

| 31 March 2017  |  | 31 March 2018  |
|----------------|--|----------------|
| £000           |  | £000           |
| (3,166)        | Financial Instruments Adjustment Account | (2,973)        |
| 316,139        | Capital Adjustment Account               | 320,901        |
| 130,317        | Revaluation Reserve                      | 134,379        |
| (215,630)      | Pensions Reserve                         | (130,479)      |
| (7,165)        | Employee Statutory Adjustment Account    | (7,559)        |
| <b>220,495</b> | <b>Total Unusable Reserves</b>           | <b>314,269</b> |

### a) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the income and expenses relating to certain financial instruments and for bearing losses or benefitting 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.

| 31 March 2017  |  | 31 March 2018  |
|----------------|--|----------------|
| £000           |  | £000           |
| (3,631)        | <b>Balance at 1 April</b>  | (3,166)        |
| 465            | Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | 193            |
| <b>(3,166)</b> | <b>Balance at 31 March</b>   | <b>(2,973)</b> |

### b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from 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 subsequent costs.

The Account also 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.

**Note 8** provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

| 31 March 2017   |  | 31 March 2018   |
|-----------------|--|-----------------|
| £000            |  | £000            |
| <b>339,518</b>  | <b>Balance at 1 April</b>  | <b>316,139</b>  |
|                 | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b> |                 |
| (28,304)        | Charges for depreciation and impairment of assets  | (28,677)        |
| (28,690)        | Valuation movements on Property, Plant and Equipment   | (3,957)         |
| (721)           | Amortisation of intangible assets  | (644)           |
| (4,207)         | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES                             | (6,582)         |
| <b>(61,922)</b> |  | <b>(39,860)</b> |
| 5,354           | <b>Adjusting amounts written out of the Revaluation Reserve</b>  | 8,048           |
| <b>(56,568)</b> | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   | <b>(31,812)</b> |
|                 | <b>Capital financing applied in the year:</b>  |                 |
| 2,799           | Use of the Capital Receipts Reserve to finance new capital expenditure   | 1,416           |
| 14,467          | Capital grants and contributions credited to the CIES that have been applied to capital financing  | 18,979          |
| 72              | Use of the Capital/Other funds to finance capital expenditure  | 42              |
| 12,534          | Statutory provision for the financing of capital investment charged against the General Fund and HRA balances                              | 12,035          |
| 3,317           | Capital expenditure charged against the General Fund and HRA balance (CFCR)  | 4,102           |
| <b>33,189</b>   |  | <b>36,574</b>   |
| <b>316,139</b>  | <b>Balance at 31 March</b>   | <b>320,901</b>  |

### c) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are: revalued 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.

| 31 March 2017  |   | 31 March 2018  |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| 149,531        | Balance at 1 April  | 130,317        |
| (13,861)       | Revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services | 12,110         |
| (1,983)        | Difference between fair value depreciation and historical cost depreciation                     | (4,287)        |
| (3,370)        | Accumulated gains on assets sold or scrapped  | (3,761)        |
| <b>130,317</b> | <b>Balance at 31 March</b>  | <b>134,379</b> |

### d) Pensions Reserve

The Pensions 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 Statement (CIES) 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 require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 31 March 2017    |  | 31 March 2018    |
|------------------|--|------------------|
| <b>£000</b>      |  | <b>£000</b>      |
| (145,904)        | <b>Balance at 1 April</b>  | (215,630)        |
| (62,601)         | Actuarial gains or (losses) on pension assets and liabilities  | 99,355           |
| (23,064)         | Reversal of items relating to net charges for retirement benefits charged to Surplus or Deficit on the Provision of Services in the CIES | (29,623)         |
| 15,939           | Employer's pension contributions paid to Strathclyde Pension Fund  | 15,419           |
| <b>(215,630)</b> | <b>Balance at 31 March</b>   | <b>(130,479)</b> |

### e) 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 due but not used by 31 March. Statutory arrangements require that the impact on the General Fund Balance be neutralised by transfers to or from the Account.

| 31 March 2017  |   | 31 March 2018  |
|----------------|---|----------------|
| <b>£000</b>    |   | <b>£000</b>    |
| (6,945)        | <b>Balance at 1 April</b>   | (7,165)        |
| 6,945          | Settlement or cancellation of accrual made at the end of the preceding year   | 7,165          |
| (7,165)        | Amounts accrued at the end of the current year  | (7,559)        |
| (220)          | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (394)          |
| <b>(7,165)</b> | <b>Balance at 31 March</b>  | <b>(7,559)</b> |

## 27. Agency Services

Agency income for 2017/18 is higher than 2016/17 by £0.018m. Agency income earned in the year is as follows:

| 2016/17    |   | 2017/18    |
|------------|---|------------|
| £000       |   | £000       |
| 647        | <b>East Dunbartonshire Leisure and Culture Trust</b> - for provision of miscellaneous corporate support services, facilities management, property and grounds maintenance, refuse collection, fleet management and pest control | 665        |
| 310        | <b>Scottish Water</b> - in return for billing and collection of water charges   | 310        |
| <b>957</b> | <b>Total</b>  | <b>975</b> |

## 28. Taxation and Non-Specific Grant Income

The Council credited the following grants and contributions to the CIES in 2017/18:

| 2016/17        | Credited to Taxation and Non-Specific Grant Income              | 2017/18        |
|----------------|---|----------------|
| £000           |   | £000           |
| 159,542        | General Revenue Grant   | 159,146        |
| 51,302         | Council Tax   | 58,042         |
| 25,550         | Non-Domestic Rates  | 23,586         |
| 14,467         | Capital Grants and Contributions                                | 18,979         |
| <b>250,861</b> | <b>Total Taxation and Non-Specific Grant Income in the CIES</b> | <b>259,753</b> |

| 2016/17       | Credited to Services (within Net Cost of Services in the CIES) | 2017/18       |
|---------------|--|---------------|
| £000          |  | £000          |
| 960           | Education  | 2,342         |
| 14,936        | Social Work  | 18,498        |
| 18,615        | Housing Benefits   | 16,301        |
| 1,320         | Other  | 676           |
| <b>35,831</b> | <b>Total</b>   | <b>37,817</b> |

The Council has received a number of grants and contributions 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, reflected in the Balance Sheet Statement at the year end, are as follows:

- Short-term Grants Receipts in Advance £0.006m (2016/17 £0.006m)
- Long-term Grants Receipts in Advance £2.964m (2016/17 £4.813m)

## 29. 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. In this context, related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

### a) Central Government

Central government, in the form of Scottish Government, has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates and provides the majority of its funding, particularly through General Revenue Grant (GRG) and the Non-Domestic Rate Pool (NDR). The figures for GRG and NDR are disclosed in **Note 28** Grant Income. The Scottish Government also prescribes the terms of many of the transactions the Council has with other parties, e.g. Council Tax rebates.

## b) Members

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is shown in the Remuneration Report.

As advised in the remuneration report there were changes to the Councillors following the local election 4<sup>th</sup> May 2017. For the period up to 4<sup>th</sup> May 2017, one member was employed by another local authority to which the Council paid £1.010m during 2017/18 (2016/17 £0.942m), mainly in respect of joint services and placements for social work and education services. Also in 2017/18 further services to the value of £1.860m (2016/17 £2.136m) were commissioned from business, charitable, community, health and educational organisations in which seven members had an interest.

For the period from 5<sup>th</sup> May onwards there were no members employed by other Local Authorities. Further services to the value of £0.943m during 2017/18 (2016/17 £2.136m), were commissioned from business, charitable, community, health and educational organisations in which nine members had an interest. Contracts were entered into in full compliance with the Council's standing orders.

Members' interests are recorded in their profiles on the Council's website.

## c) Officers

Senior Officers have not disclosed any material transactions with related parties during 2017/18.

## d) Other Public Bodies (subject to common control by Central Government)

In accordance with Scottish Government protocols, the Council receives substantial funding in resource transfer from the NHS Greater Glasgow and Clyde, mainly in relation to the community care costs incurred as a result of the historic closure of NHS facilities. The amounts are reflected in **Note 28** Grant Income. The East Dunbartonshire Health and Social Care Partnership (HSCP) went live on 3 September 2015, with the following services being delivered by the HSCP on behalf of the Integration Joint Board: Adult Community Health and Social Care Services; NHS Community Children's Services (from 11 August 2016); Children's Social Work Services (from 11 August 2016); and Criminal Justice Social Work Services.

## e) Entities Controlled or Significantly Influenced by the Council

The Council has subsidiaries over which it has control, a joint venture that it shares control with NHS Greater Glasgow & Clyde and associate companies over which it exerts significant influence. These entities and material transactions with them in financial year 2017/18 are detailed below. Further disclosure of these entities is made within the Group Accounts.

The net value of the Council's transactions with its subsidiaries is as follows:

| 2016/17<br>Net Expenditure |   | 2017/18<br>Net Expenditure |
|----------------------------|---|----------------------------|
| £000                       |   | £000                       |
| 3,671                      | East Dunbartonshire Leisure and Culture Trust   | 4,271                      |
| 339                        | Mugdock Country Park Joint Management Committee | 256                        |
| <b>4,010</b>               | <b>Total</b>                                    | <b>4,527</b>               |

The Integration Joint Board (East Dunbartonshire Health & Social Care Partnership) managed services to a value of £68.656m on behalf of the Council. These are included in the Adult Social Care and Children & Families lines in the CIES. More information on the IJB is included in **Note 4b** of the Group Accounts.

The net value of the significant Council transactions with its associated bodies is as follows:

| 2016/17<br>Net Expenditure  | 2017/18<br>Net Expenditure |
|---|----------------------------|
| £000  | £000                       |
| 3,204 Strathclyde Partnership for Transport   | 3,465                      |
| 219 Strathclyde Concessionary Travel Joint Board  | 215                        |
| 664 Dunbartonshire and Argyll and Bute Valuation Joint Board                                      | 646                        |
| 102 SEEMIS LLP  | 88                         |
| 79 Scotland Excel   | 77                         |
| 72 Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee (Clyde Plan) | 72                         |
| 54 Glasgow and Clyde Valley Cabinet (City Deal)   | 63                         |
| 90 Gateway Shared Services (Continuing Education Gateway)   | 20                         |
| 28,259 Hub West Scotland Limited  | 11,270                     |
| <b>32,743</b>   | <b>15,916</b>              |

### 30. Leases

#### East Dunbartonshire Council as Lessor

##### Operating Leases

The Council has granted commercial leases for properties to various tenants on a range of lease terms. These arrangements are accounted for as operating leases. The rental income receivable in 2017/18 was £0.810m (£1.108m 2016/17) and is included in the Comprehensive Income and Expenditure Account. The rents receivable in future years under these non-cancellable leases are shown in the table below.

| 31 March 2017   | 31 March 2018  |
|---|----------------|
| £000  | £000           |
| (104) Not later than one year                             | (1,209)        |
| (1,389) Later than one year and not later than five years | (1,915)        |
| (1,689) Later than five years                             | (1,586)        |
| <b>(3,182) Total</b>                                      | <b>(4,710)</b> |

#### East Dunbartonshire Council as Lessee

##### Operating Leases

The Council leases vehicles on a variety of lease terms that are accounted for as operating leases. The rentals payable in 2017/18 were £0.790m (2016/17 £0.549m) and the rentals have been included in the CIES.

The future rental payments due under non-cancellable leases in future years are as shown in the following table. These figures do not include rents that are contingent upon events taking place after the lease was entered into, such as adjustments following rent reviews.

| 31 March 2017   | 31 March 2018 |
|---|---------------|
| £000  | £000          |
| 738 Not later than one year                           | 420           |
| 748 Later than one year and not later than five years | 35            |
| <b>1,486 Total</b>                                    | <b>455</b>    |

### 31. Termination Benefits

The Council approved the termination of the contracts of a number of employees in 2017/18, incurring costs of £1.676m (2016/17 £1.096m). The termination benefits were payable to 21 employees who were made voluntarily redundant as part of the Council's approved budget savings measures.

## 32. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA) on behalf of the Scottish Government. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a multi-employer defined benefit scheme and consequently the Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of these Annual Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

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 benefits. The Scottish Government holds a specific amount for this purpose.

In 2017/18, the Council paid £8.288m in respect of teachers' retirement benefits; the employer contribution rate for teachers per the STSS remained at 17.2% of pensionable pay effective from 1 September 2015. The figures for 2016/17 were £8.165m and 17.2%. The Council paid over £7.567m to the Scottish Government in respect of 2017/18 contributions (2016/17 £7.489m), leaving a balance of £0.722m to be paid over at the balance sheet date (2016/17 £0.677m).

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis. The lump sums payable totalled £0.02m in 2017/18. The lump sums payable in 2016/17 totalled £0.025m.

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

## 33. Defined Benefit Pension Schemes

### a) Participation in Pension Schemes

As part of the terms and conditions of employment of employees, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments and this needs to be accounted for and disclosed at the time the employees actually earn their future entitlement. The Council participates in the following post-employment schemes:

- **The Local Government Pension Scheme**, operated as Strathclyde Pension Fund and administered by Glasgow City Council (in accordance with the *Local Government Pension (Scotland) Regulations 1998*). This is a funded defined benefit statutory scheme, meaning that the Authority 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.
- **Unfunded teachers' pension schemes** were in existence prior to the Local Government Reorganisation of 1996. These are defined benefit schemes and are administered as part of the Strathclyde Pension Fund. These are unfunded schemes, meaning that there are no investment assets built up to meet the pensions liabilities and cash has to be generated to meet actual pensions payments as they eventually fall due.

### b) Transactions Relating to Post-employment Benefits

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against Council Tax is based on the cash payable in the year, so the real cost of post-employment and/or retirement benefits is reversed out of the General Fund and Housing Revenue Account via the Movement in Reserves Statement.

The table below provides detail on the pension costs charged to the CIES and the General Fund Balance via the Movement in Reserves Statement. This information has been provided for the Council by the actuaries Hymans Robertson, contracted by Glasgow City Council to provide all IAS19 calculations on behalf of the authorities within the Strathclyde Pension Fund.

| 2016/17        | Comprehensive Income and Expenditure Statement  | 2017/18         |
|----------------|---|-----------------|
| <b>£000</b>    | <b>Cost of Services:</b>  | <b>£000</b>     |
| 15,352         | Current service cost  | 22,768          |
| 2,571          | Past service costs (incl. curtailments)   | 1,139           |
| 0              | (Gain)/loss from settlements  | 0               |
|                | <b>Financing and Investment Income and Expenditure</b>  |                 |
| 5,141          | Net interest expense  | 5,716           |
| <b>23,064</b>  | <b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>  | <b>29,623</b>   |
|                | <b>Other Post-employment Benefits charged to Other Comprehensive Income and Expenditure</b>   |                 |
| (92,144)       | Expected return on scheme assets  | (4,758)         |
| 0              | Actuarial (gains) and losses arising on changes in demographic assumptions  | (2,583)         |
| 151,105        | Actuarial (gains) and losses arising on changes in financial assumptions  | (30,135)        |
| 3,640          | Other (if applicable)   | (61,879)        |
| <b>62,601</b>  |   | <b>(99,355)</b> |
| <b>85,665</b>  | <b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>   | <b>(69,732)</b> |
| 2016/17        | Movement in Reserves Statement  | 2017/18         |
| <b>£000</b>    |   | <b>£000</b>     |
| (23,064)       | Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code             | (29,623)        |
| 15,940         | Employers' contributions payable to scheme  | 15,418          |
| <b>(7,124)</b> | <b>Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations</b> | <b>(14,205)</b> |

The current service cost was provided as a total for the Council by the actuaries. The Council allocated this cost to the appropriate service divisions using an estimation technique. The technique chosen was to allocate pro rata to the pensionable pay per service division.

### c) Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is as follows:

| At the balance sheet date  | 31 March<br>2017 | 31 March<br>2018 |
|--|------------------|------------------|
|  | <b>£000</b>      | <b>£000</b>      |
| Fair Value of Employer Assets  | 575,993          | 594,752          |
| Present Value of Defined Benefit Liability*                                    | (791,623)        | (725,231)        |
| <b>Net liability arising from defined benefit obligation</b>                   | <b>(215,630)</b> | <b>(130,479)</b> |
| *Unfunded liabilities included in the figure for present value of liabilities: |                  |                  |
| Unfunded liabilities for Pension Fund  | 41,525           | 41,963           |
| Teachers' unfunded pensions  | 26,899           | 26,756           |
| Unfunded liabilities prior to 1996 local government reorganisation             | 8,672            | 8,127            |
|  | <b>77,096</b>    | <b>76,846</b>    |



The liabilities show the underlying commitments that the authority has in the long run to pay post-employment benefits. The total liability of £130.479m has had an impact on the net worth of the authority, resulting in an improvement of £85.151m in the balance sheet position.

Statutory arrangements for funding the deficit mean that the financial position of the Authority 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. This is assessed at the formal funding valuation, carried out every three years, which ensures that any future contributions are adjusted to enable future benefits to be met. The latest formal funding valuation was as at 31 March 2017, with the next one being due at 31 March 2020.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

There has been a reduction of £85.151m in the deficit at the balance sheet date. The most significant change that had an impact on this during the year was the result of a reduction in the net discount rate over the period, partially offset by a strong return on assets.

**d) Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)**

| 2016/17        |  | 2017/18        |
|----------------|--|----------------|
|                | <b>£000</b>                            | <b>£000</b>    |
| <b>612,913</b> | <b>Opening Balance at 1 April</b>      | <b>791,623</b> |
| 15,352         | Current Service Cost                   | 22,768         |
| 21,495         | Interest Cost                          | 20,679         |
| 3,354          | Contributions by Scheme Participants   | 3,574          |
|                | Remeasurement (gains) and losses:      |                |
| 0              | Change in demographic assumptions      | (2,583)        |
| 151,105        | Change in financial assumptions        | (30,135)       |
| 3,640          | Other experience                       | (61,879)       |
| 2,571          | Past Service Costs / (Gains)           | 1,139          |
| 0              | Liabilities extinguished on Settlement | 0              |
| (3,485)        | Estimated Unfunded Benefits Paid       | (3,323)        |
| (15,322)       | Estimated Benefits Paid                | (16,630)       |
| <b>791,623</b> | <b>Closing Balance at 31 March</b>     | <b>725,233</b> |

**e) Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets**

| 2016/17        |  | 2017/18        |
|----------------|--|----------------|
|                | <b>£000</b>                                    | <b>£000</b>    |
| <b>467,009</b> | <b>Opening Balance at 1 April</b>              | <b>575,994</b> |
| 16,354         | Interest Income on Plan Assets                 | 14,963         |
|                | Remeasurement gain / (loss):                   |                |
| 92,144         | Expected Rate of Return on Pension Fund Assets | 4,758          |
| 3,354          | Contributions by Scheme Participants           | 3,574          |
| 12,455         | Contributions by the Employer                  | 12,095         |
| 3,485          | Contributions re Unfunded Benefits             | 3,323          |
| 0              | Assets distributed on Settlement               | 0              |
| (3,485)        | Unfunded Benefits Paid                         | (3,323)        |
| (15,322)       | Benefits Paid                                  | (16,630)       |
| <b>575,994</b> | <b>Closing Balance at 31 March</b>             | <b>594,754</b> |

The expected return on scheme assets is determined by considering the long-term future expected return for each individual class of asset at the beginning of the period i.e. as at 31 March 2017.

f) *Local Government Pension Scheme assets comprised:*

| 2016/17<br>Restated | Fair Value of Scheme Assets                                    | 2017/18        |
|---------------------|--|----------------|
| <b>£000</b>         |  | <b>£000</b>    |
| 21,695              | <b>Cash and Cash Equivalents</b>                               | 60,125         |
|                     | <b>Equities Securities:</b>                                    |                |
| 54,478              | Consumer   | 38,195         |
| 43,239              | Manufacturing  | 30,953         |
| 17,118              | Energy and Utilities   | 7,951          |
| 40,084              | Financial Institutions   | 25,640         |
| 23,427              | Health and Care  | 15,213         |
| 33,132              | Information Technology   | 19,606         |
| 5                   | <b>Debt Securities:</b> Corporate Bonds (non investment grade) | 18,661         |
| 47,490              | <b>Private Equity</b>  | 71,070         |
| 69,475              | <b>Real Estate:</b> UK Property                                | 53,849         |
|                     | <b>Investment Funds and Unit Trusts</b>                        |                |
| 185,190             | Equity   | 183,558        |
| 32,339              | Bonds  | 68,859         |
| 387                 | Commodities  | 298            |
| 0                   | Infrastructure   | 0              |
| 7,810               | Other  | 762            |
|                     | <b>Derivatives</b>   |                |
| 77                  | Foreign Exchange   | 0              |
| 48                  | Other  | 12             |
| <b>575,994</b>      | <b>Total</b>   | <b>594,752</b> |

| 31 March 2017 | Pension Fund assets by Category | 31 March 2018 |
|---------------|---------------------------------|---------------|
| 77%           | Equities                        | 66%           |
| 6%            | Bonds                           | 15%           |
| 12%           | Property                        | 9%            |
| 5%            | Cash                            | 10%           |
| <b>100%</b>   |                                 | <b>100%</b>   |

Please note the Equities Securities figure for 2016/17 has been restated as a result of no breakdown being available to the actuary as provided by the Fund's custodian.

g) *Basis for Estimating Assets and Liabilities*

The Council's share of the liabilities of The Strathclyde Pension Fund is an estimated figure based on actuarial assumptions about the future and is a snapshot at the end of the financial year. The net obligation has been assessed using the 'projected unit method', that estimates the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels and so on. It should be noted that these pension disclosures also include the pension liabilities for Mugdock Country Park Management Committee, which cannot be separately identified from the actuarial valuations obtained.

The Fund's liability has been assessed by Hymans Roberston, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2018. The significant assumptions used by the actuary are shown in the tables below. **Note 4** includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

| 31 March 2017 | Longevity at 65 for current pensioners (years): | 31 March 2018 |
|---------------|---|---------------|
| 22.1          | Men   | 21.4          |
| 23.6          | Women   | 23.7          |
| 31 March 2017 | Longevity at 65 for future pensioners (years):  | 31 March 2018 |
| 24.8          | Men   | 23.4          |
| 26.2          | Women   | 25.8          |
| 31 March 2017 | Financial assumptions                           | 31 March 2018 |
| 4.4%          | Rate of increase in employee earnings           | 3.6%          |
| 2.4%          | Rate of increase in pensions / inflation        | 2.4%          |
| 2.6%          | Rate for discounting scheme liabilities         | 2.7%          |

#### h) Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Sensitivities at 31 March 2018             | Approximate % Increase to Employer Obligation | Approximate Monetary Amount £'000 |
|--|---|-----------------------------------|
| 0.5% decrease in Real Discount Rate        | 9%  | 65,080                            |
| 0.5% increase in the Salary Increase rate  | 1%  | 10,363                            |
| 0.5% increase in the Pension Increase rate | 7%  | 53,709                            |

The principle demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, it is estimated that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. 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 predominantly apply at younger or older ages).

#### i) Impact on the Council's Cash Flows

The objectives of the Fund are to keep employer's contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating local authorities. Employer's contributions have been set at 19.3% for the three years from 1 April 2015.

The pension expense for the period to 31 March 2017 and the projected pension expense for the year to 31 March 2018 allow for the LGPS career average revenue earnings (CARE) benefit design. The figures are based on Hymans' understanding of the provisions of the Fund and are subject to change as any changes are made to the fund.

The total employer's contributions expected to be made by the Council to Strathclyde Pension Fund in the year to 31 March 2019 is £11.414m (£10.697 to 31 March 2018).

The assumed weighted average duration of the defined benefit obligation is 18.7 years, effective as at the previous formal valuation as at 31 March 2017 (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

#### j) Post-Employment Benefits – Joint Boards

Local government legislation provides that local authorities have an obligation to meet the expenditure of Joint Boards of which they are constituent members. These bodies form part of the Council's Group Accounts. Consequently, East Dunbartonshire Council has additional liabilities arising from the pension deficits of:

- Dunbartonshire and Argyll and Bute Valuation Joint Board
- Strathclyde Partnership for Transport

In accordance with the accounting regulations, the Group Financial Statements include the pension liability of the above boards. Further information regarding these deficits can be found in the Annual Report and Accounts of the relevant bodies and in the Group Financial Statements.

## 34. Financial Guarantees

As sponsoring authority, East Dunbartonshire Council has guaranteed to accept liability for any unfunded costs which may arise with regard to East Dunbartonshire Council Leisure and Culture Trust and Hillhead Housing Association, relating to their membership of the Local Government Pension Scheme (LGPS) administered by Glasgow City Council, should they cease to exist, withdraw from the LGPS or otherwise become unable to continue covering any unfunded liabilities with regard to the *Local Government Pension Scheme (Administration) (Scotland) Regulations 2008*, the *Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008*, the *Local Government (Transitional Provisions) (Scotland) Regulations 2008* and (if applicable) the *Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998*.

## 35. Accounting Policies

### a) General Principles

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

The accounting convention adopted in the Annual Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The convention also assumes that the Council will continue as a going concern for the foreseeable future.

### b) Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### c) Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential 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 it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or a creditor for the relevant amount is recorded in the Balance Sheet. Where debts might not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **d) Business Improvement District**

A Business Improvement District (BID) scheme applies in Milngavie town centre. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Authority acts as an agent under the scheme and BID transactions are not recognised in the Comprehensive Income and Expenditure Statement, and are treated as Balance Sheet items in accordance with the Code.

#### **e) Carbon Reduction Commitment Scheme**

The authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme ends on 31 March 2019. The authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. Allowances purchased prospectively are valid for the current compliance year, and any remaining compliance years up to the end of the phase (31 March 2019 for second phase). These allowances are classed as Current Intangible Assets in the Balance Sheet and are reduced as allowances are surrendered.

#### **f) 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 the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. In the Balance Sheet and Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **g) Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the non-current assets used by the relevant service;
- Revaluation and impairment losses on non-current assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- Amortisation of intangible non-current assets attributable to the service.

#### **h) Employee Benefits**

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

Short-term employee benefits such as wages and salaries and paid annual leave for current employees are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the value of holiday entitlements earned by employees but not taken before the year end, which employees can carry forward into the next financial year.

##### **Termination benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employment before the normal retirement date or an employee's decision to accept voluntary redundancy. Termination benefits are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to providing the termination benefits.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

##### **Post-employment Benefits**

The Council participates in two formal pension schemes: the Local Government Pension Scheme, which is administered by Strathclyde Pension Fund; and the Scottish Teachers' Superannuation Scheme, administered by the Scottish Government.

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

- Attributable assets are measured at fair value at the balance sheet date, after deducting accrued expenses. Attributable liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Net pension assets are recognised only to the extent that the Council is able to recover a surplus, either through reduced contributions in the future or through refunds from the scheme. Unpaid contributions to the Scheme are recorded as creditors due within one year.
- For Pension charges, the change in defined benefit asset or liability is analysed and charged to the Comprehensive Income and Expenditure Statement as follows:
  - Current service cost, past service cost and gains/losses on curtailments and settlements are included in Cost of Services;
  - Net interest on the net defined benefit liability is included within Financing and Investment Income and Expenditure.

The nature of the teachers' scheme prevents the Council's individual share of the pension liability from being individually separated. The scheme is therefore accounted for as if it were a defined contribution scheme.

The Council also 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) are accrued in the year of the decision to make the award and are accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### ***j) Events after the Reporting Period***

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. An adjustment is made to the financial statements where there is evidence that the event existed at the end of the reporting period; otherwise, the financial statements are not adjusted and, where the amount is material, a disclosure is made in the notes.

#### ***j) Fair Value Measurement***

The Council measures its assets and liabilities in accordance with *IFRS13 Fair Value Measurement*. This is particularly relevant in the following areas:

- Property, plant and equipment assets that are operational, and therefore providing service potential for the authority are measured for their service potential at existing use value, existing use value – social housing, or depreciated replacement cost, and not fair value. Surplus assets are measured at fair value, applying fair value hierarchy;
- Financial instruments, 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.

Further detail is provided in relevant accounting policies and disclosure notes for these areas.

#### ***k) Financial Instruments***

##### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. For the majority of borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement (CIES) is the amount payable for the year according to the loan agreement.

Costs associated with debt restructuring (premiums and discounts) are credited and debited to the Financing and Investment Income and Expenditure line in the CIES in the year of repayment of original debt in line with accounting regulations. Where premiums and discounts have been charged to the CIES, Scottish Government regulations allow the impact on the General Fund Balance to be spread over future years in line with any replacement loan.

##### **Financial Assets**

The financial assets of the Council comprise entirely of Loans and Receivables, which are assets that have fixed or determinable payments but are not quoted in an active market.

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

amortised cost. For the Council's short-term deposits and most of its other lending, 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 (CIES) is the amount receivable for the year in the loan agreement.

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

#### ***l) Government Grants and Contributions***

These are recognised as due to 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 CIES until conditions attached to the grant or contribution have been satisfied. Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. Where conditions are satisfied, the grant or contribution is credited to the relevant service (revenue grants) or Taxation and Non-specific Grant Income (capital grants). Where capital grants are credited to the CIES, they are reversed out of the General Fund Balance in the Movement in Reserves Statement.

#### ***m) Heritage Assets***

The Council holds and conserves heritage assets for future generations principally for their contribution to knowledge and culture. There are five main types of collections of Heritage Assets and these are held at numerous locations within the Council's boundary, unless specified below:

- Artwork & Exhibits - held at galleries and museums including Lillie Art Gallery and Auld Kirk Museum
- Archives - held at William Patrick Library and Brookwood Library
- Civic Regalia - held at Civic offices
- Memorials/Monuments
- Listed Buildings and Scheduled Ancient Monuments

As a general policy, Heritage Assets are recognised on the Balance Sheet where the authority has information on the cost or value of the asset. Where information on cost or value is not available, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, the asset is not recognised on the Balance Sheet.

The carrying amount of Heritage Assets is reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage, or where doubt arises as to authenticity. Any impairment is recognised and measured in accordance with the Council's policy on impairment. It is likely that disposals of Heritage Assets will be made only occasionally. Where this does occur, the proceeds are accounted for in accordance with the Council's general provisions relating to disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements.

#### ***n) Intangible Assets***

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected it will bring benefits to the Council for more than twelve months. Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement (CIES).

#### ***o) Interests in Companies and Other Entities***

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts.

### **p) Inventories and Long-term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the weighted average costing formula.

Long-term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Work in progress, in relation to construction contracts, is calculated using the percentage completion method. Contract revenue is matched with contract costs incurred in reaching the state of completion at the balance sheet date.

### **q) Leases**

#### **The Council as Lessee**

##### Operating Leases

Rentals paid under operating leases are charged to the relevant service account in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased asset over the term of the lease.

#### **The Council as lessor**

##### Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the CIES.

### **r) Overheads and Support Services**

Support services will not be recharged although the costs of services provided by the Council will be charged to separate accounts such as the Housing Revenue Account and Mugdock Country Park. The costs of support and other services will be allocated in government returns as required.

### **s) Property, Plant and Equipment**

#### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis. Expenditure that merely maintains the condition of the asset is charged as an expense when it is incurred.

#### **Measurements**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES), unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.



Assets are then carried in the Balance Sheet using the following measurement bases, in line with *IFRS 13*:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset (e.g. schools), depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value. Examples of such assets are computers, vehicles, and other plant and equipment.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year end, but as a minimum every five years.

### Impairment

The Council recognises the impairment of non-current assets, and any material reduction in asset value as a result of changing market conditions or clear consumption of an asset is recognised in the Comprehensive Income and Expenditure Statement only to the extent that the loss exceeds the balance on the Revaluation Reserve relating to the specific asset. An impairment review is conducted annually as part of the Council's revaluation programme.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). No depreciation is charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

Depreciation is calculated on a straight-line basis over the following maximum number of years:

| Category  | Maximum number of years used for purposes of depreciation |
|---|---|
| Buildings and their various components  | 70  |
| Infrastructure: Carriageways / lighting / street furniture & traffic management systems, etc. | 40  |
| Computer equipment & intangible assets  | 5   |
| Furniture, fixtures & fittings  | 5   |
| Operational equipment   | 10  |
| Vehicles  | 6   |

Where a Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

### Disposals and Non-Current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES). Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services.

#### t) *Public Private Partnerships (PPP) and Similar Contracts*

The PPP agreement for the provision of school buildings, their maintenance and other facilities is accounted for in accordance with *International Financial Reporting Interpretations Committee (IFRIC) 12 Service Concession Arrangements*. The Council carries the assets and associated liability to the PPP operator on its balance sheet. The annual amount payable to the PPP operator (the unitary charge) is apportioned between operating costs, interest payments and the repayment of debt. The property, plant and equipment of the PPP scheme are depreciated over

the useful life of the assets and the associated liability to the operator is reduced by the principal repayments paid as part of the unitary charge.

#### **u) Provisions, Contingent Liabilities and Contingent Assets**

##### **Provisions**

Provisions are made where an event has taken place that gives the Council a legal 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 the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

##### **Contingent Assets and Liabilities**

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts; see **Note 4**.

#### **v) Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to be included in 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 Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

#### **w) Revenue Expenditure Funded from Capital Under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

#### **x) Significant Trading Organisations (STO)**

The Council annually reconsiders the classification of its activities in terms of STOs as defined by the *Local Government in Scotland Act 2003*, and has nothing to report for financial year 2017/18.

#### **y) Value Added Tax (VAT)**

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

## 36. Critical Judgements in Applying Accounting Policies

The following are significant management judgements in applying the accounting policies of the Council that have the most significant effect on the financial statements. Critical estimation uncertainties are described in **Note 3**.

### Leases

The Council has examined its leases, and has confirmed that only operating leases exist in 2017/18. In some cases the lease transaction is not always conclusive and the Council has used judgement in determining that no finance lease arrangement exist that transfer substantially all the risks and rewards incidental to ownership.

The Council has entered into an arrangement to manage certain land and buildings that are 'Common Good'. After consideration of the tests under *IFRIC4*, this management agreement is deemed to be a finance lease arrangement on the basis that the Council assumes the risks and rewards of ownership. These assets are included as Property, Plant and Equipment on the Council's balance sheet.

### Public Private Partnership

The Council has entered in to a Public Private Partnership (PPP) agreement for the provision and maintenance of six secondary school facilities. After consideration of the applicable tests under *IFRIC12*, it has been concluded that these are service concession arrangements as the Council controls the services provided under the scheme and will assume ownership of the schools at the end of the contract for no additional charge. The assets used to provide services at the schools are recognised on the balance sheet of the Council.

### 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 of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

## 37. Accounting Standards Issued, Not Adopted

The Code requires the disclosure of information relating to the 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 standards within the 2018/19 Code:

1. IFRS 9 Financial Instruments
2. IFRS 15 Revenue from Contracts

The Code requires implementation from 1 April 2018 and there is therefore no impact on the 2017/18 financial statements. IFRS 9 sets out requirements for recognising and measuring financial assets and liabilities. IFRS 15 requires authorities to recognise income as it supplies the related goods or services. It is not anticipated that either will have a material impact on the 2018/19 financial statements.

## Housing Revenue Account (HRA)

The HRA reflects the statutory requirement under the *Housing (Scotland) Act 1987* to maintain a separate account for income and expenditure arising from the provision of Council housing. The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the movement on the HRA Statement.

| 2016/17         |  | 2017/18  |                 |
|-----------------|--|----------|-----------------|
| £000            |  | £000     | £000            |
|                 | <b>Income</b>  |          |                 |
| (12,891)        | Dwelling Rents   | (13,106) |                 |
| (99)            | Non Dwelling Rents   | (87)     |                 |
| (403)           | Other Income   | (668)    |                 |
| <b>(13,393)</b> | <b>Total Income</b>  |          | <b>(13,861)</b> |
|                 | <b>Expenditure</b>   |          |                 |
| 3,531           | Repairs and Maintenance  | 3,489    |                 |
| 2,715           | Supervision and Management   | 2,858    |                 |
| 9,404           | Depreciation, impairment and revaluation of non-current assets   | 8,685    |                 |
| 219             | Movement in the allowance for bad debtors  | 266      |                 |
| 255             | Other Expenditure  | 335      |                 |
| <b>16,124</b>   | <b>Total Expenditure</b>   |          | <b>15,633</b>   |
| <b>2,731</b>    | <b>Net Expenditure</b>   |          | <b>1,772</b>    |
| 26              | HRA services share of Corporate and Democratic Core  |          | 26              |
| <b>2,757</b>    | <b>Net Cost of HRA Services as included in the whole authority</b>   |          | <b>1,798</b>    |
|                 | <b>Comprehensive Income and Expenditure Statement</b>  |          |                 |
| 0               | HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services |          | 0               |
| <b>2,757</b>    | <b>Net Cost of HRA Services</b>  |          | <b>1,798</b>    |
|                 | HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:          |          |                 |
| (430)           | (Gain) or Loss on sale of HRA non-current assets   |          | (256)           |
| 1,412           | Interest payable and similar charges   |          | 1,171           |
| (15)            | Interest and investment income   |          | (19)            |
| 72              | Pension interest cost and expected return on pension assets  |          | 83              |
| (794)           | Capital Grants and Contributions   |          | (1,538)         |
| <b>3,002</b>    | <b>(Surplus) or deficit for the year on HRA services</b>   |          | <b>1,239</b>    |

**Movement on the HRA Statement** – This reconciles the outturn on the HRA Income and Expenditure Statement to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the 1987 Act.

| 2016/17        | Movement on the HRA Statement   | 2017/18 |                |
|----------------|---|---------|----------------|
| £000           |   | £000    | £000           |
| <b>(2,054)</b> | <b>Balance on the HRA at end of the previous reporting period</b>   |         | <b>(3,217)</b> |
| 3,002          | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement   |         | 1,239          |
|                | Adjustments between accounting basis and funding basis under statute:   |         |                |
| (9,404)        | Depreciation, impairment and revaluation of non-current assets  | (8,686) |                |
| 430            | Gain or loss on sale of HRA non-current assets  | 256     |                |
| 39             | Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements | 30      |                |
| (130)          | Net charges made for retirement benefits in accordance with IAS19   | (248)   |                |
| 1,089          | Loans fund principal  | 1,196   |                |
| 3,017          | Capital expenditure funded by the HRA   | 4,102   |                |
| 794            | Capital Grants and Contributions  | 1,538   |                |
| (4,165)        | Total Adjustments between accounting basis and funding basis under statute:   |         | (1,812)        |
| <b>(1,163)</b> | <b>Net decrease or (increase) before transfers to or from reserves</b>  |         | <b>(573)</b>   |
| 0              | Transfers to or (from) earmarked reserves   |         | 50             |
| <b>(1,163)</b> | <b>(Increase) or decrease in year on the HRA</b>  |         | <b>(523)</b>   |
| <b>(3,217)</b> | <b>Balance on the HRA at the end of the current reporting period</b>  |         | <b>(3,740)</b> |

## Notes to the Housing Revenue Account

### 1. Number and Type of Dwelling

|                     |                       | Opening Number | Changes in Year | Closing Number |
|---------------------|-----------------------|----------------|-----------------|----------------|
| <b>Houses</b>       | Bungalow              | 13             | 0               | 13             |
|                     | Semi-Detached         | 682            | (4)             | 678            |
|                     | Detached House        | 4              | 0               | 4              |
|                     | Terraced House        | 1,063          | (13)            | 1,050          |
| <b>Total Houses</b> |                       | <b>1,762</b>   | <b>(17)</b>     | <b>1,745</b>   |
| <b>Flats</b>        | Maisonette            | 103            | 0               | 103            |
|                     | Four in a Block       | 764            | (11)            | 753            |
|                     | Tenement Flat         | 927            | (3)             | 924            |
|                     | Homeless: 8 apartment | 1              | 0               | 1              |
|                     | Homeless: 6 apartment | 1              | 0               | 1              |
|                     | Homeless: 2 apartment | 3              | 0               | 3              |
| <b>Total Flats</b>  |                       | <b>1,799</b>   | <b>(14)</b>     | <b>1,785</b>   |
| <b>Grand Total</b>  |                       | <b>3,561</b>   | <b>(31)</b>     | <b>3,530</b>   |

In 2017/18 there were 15 new properties (all open market purchases) and 46 disposals giving a reduction of 31.

### 2. Arrears and Bad Debt Provisions

| 2016/17      |  | 2017/18      |
|--------------|--|--------------|
| £000         | Arrears as at 31 March                                   | £000         |
| 484          | Former Tenants   | 536          |
| 694          | Current Tenants  | 819          |
| <b>1,178</b> | <b>Total</b>   | <b>1,355</b> |
|              | <b>Bad Debt Provision as at 31 March:</b>                |              |
| <b>862</b>   | <b>Total provision in respect of uncollectable rents</b> | <b>1026</b>  |

### 3. Void Rent Loss

Rent loss in relation to housing and garages was £0.162m in 2017/18 (£0.194m 2016/17).

## Council Tax Income Account

### a) Statutory Background

The Council Tax Income Account (Scotland) shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement of the authority.

Council Tax is payable on any dwelling which is not an exempt dwelling (prescribed by an order made by the Scottish Government). The amount of Council Tax payable depends on the valuation band of the dwelling.

### b) Council Tax Income Account

| 2016/17       |   | 2017/18       |
|---------------|---|---------------|
| £000          |   | £000          |
| <b>62,159</b> | <b>Gross Council Tax levied and contribution in lieu</b>      | <b>69,871</b> |
|               | Less:   |               |
| (4,174)       | Council Tax Reduction Scheme                                  | (4,323)       |
| (5,913)       | Other discounts and reductions                                | (6,567)       |
| (1,055)       | Write-off of uncollectable debts and allowance for impairment | (1,179)       |
| 443           | Prior year adjustments  | 414           |
| (158)         | Transfer to Reserve   | (174)         |
| <b>51,302</b> | <b>Net Council Tax Income Transferred to General Fund</b>     | <b>58,042</b> |

### c) Calculation of the Council Tax Base (shown as numbers of properties)

|                                      | A<br>Disabled     | A                 | B                 | C                 | D                 | E                 | F                 | G                 | H                 | Total No.<br>of<br>Properties |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------------------|
| Properties                           | N/A               | 1,110             | 3,722             | 8,357             | 8,336             | 10,534            | 7,131             | 6,736             | 634               | 46,560                        |
| Exemptions                           | N/A               | (82)              | (138)             | (223)             | (136)             | (170)             | (83)              | (77)              | (11)              | (920)                         |
| <b>Chargeable Dwellings</b>          | <b>0</b>          | <b>1,028</b>      | <b>3,584</b>      | <b>8,134</b>      | <b>8,200</b>      | <b>10,364</b>     | <b>7,048</b>      | <b>6,659</b>      | <b>623</b>        | <b>45,640</b>                 |
| Disabled Reductions                  | 0                 | (2)               | (10)              | (56)              | (48)              | (84)              | (70)              | (53)              | (4)               | (327)                         |
| Effectively Chargeable               | 2                 | 10                | 56                | 48                | 84                | 70                | 53                | 4                 | 0                 | 327                           |
| <b>Adjusted Chargeable Dwellings</b> | <b>2</b>          | <b>1,036</b>      | <b>3,630</b>      | <b>8,126</b>      | <b>8,236</b>      | <b>10,350</b>     | <b>7,031</b>      | <b>6,610</b>      | <b>619</b>        | <b>45,640</b>                 |
| Discounts (50% or reduced)           | 0                 | (7)               | (48)              | (63)              | (55)              | (60)              | (58)              | (41)              | (7)               | (339)                         |
| Single Discount (25%)                | 0                 | (692)             | (2,082)           | (3,661)           | (2,943)           | (2,876)           | (1,496)           | (1,065)           | (57)              | (14,872)                      |
| <b>Total Equivalent Dwellings</b>    | <b>2</b>          | <b>860</b>        | <b>3,086</b>      | <b>7,179</b>      | <b>7,472</b>      | <b>9,601</b>      | <b>6,628</b>      | <b>6,323</b>      | <b>601</b>        | <b>41,752</b>                 |
| Ratio to Band D                      | $\frac{200}{360}$ | $\frac{240}{360}$ | $\frac{280}{360}$ | $\frac{320}{360}$ | $\frac{360}{360}$ | $\frac{473}{360}$ | $\frac{585}{360}$ | $\frac{705}{360}$ | $\frac{882}{360}$ | --                            |
| <b>Band D Equivalents</b>            | <b>1</b>          | <b>573</b>        | <b>2,400</b>      | <b>6,382</b>      | <b>7,473</b>      | <b>12,615</b>     | <b>10,770</b>     | <b>12,383</b>     | <b>1,473</b>      | <b>54,070</b>                 |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | Contributions in lieu         |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | 0                             |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | <b>Total</b>                  |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | <b>54,070</b>                 |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | Provision for bad debts       |
|                                      |                   |                   |                   |                   |                   |                   |                   |                   |                   | (1,081)                       |

The numbers in the above table reflect the position as at March 2018.

### d) The Nature and Actual Amount of Each Charge Fixed

Dwellings fall within a valuation band from 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 value is then decreased or increased dependent on the band of the individual dwelling. The Band D charge for 2017/18 was £1,176 (2016/17 £1,142).

|               | A    | B    | C      | D      | E      | F      | G      | H      |
|---------------|------|------|--------|--------|--------|--------|--------|--------|
| Annual Charge | £784 | £915 | £1,045 | £1,176 | £1,545 | £1,911 | £2,303 | £2,881 |

## Non-Domestic Rate Income Account

### a) Statutory Background

Occupiers of non-domestic property pay rates based on the valuation of the property within the valuation roll for the area. The non-domestic rate (NDR) poundage is determined by the Scottish Government.

The NDR Account (Scotland) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate NDR 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. The account shows the rates collected from non-domestic ratepayers during the year. Actual rates collected locally are shown below.

### b) Non-Domestic Rate Income Account

| 2016/17        |   | 2017/18       |
|----------------|---|---------------|
| £000           |   | £000          |
| 32,791         | <b>Gross Rates levied and contributions in lieu</b>               | 32,794        |
|                | Less:   |               |
| (7,631)        | Reliefs and other deductions                                      | (8,706)       |
| 0              | Payment of Interest   | (4)           |
| (336)          | Write-offs of uncollectable debts and allowance for impairment    | (269)         |
| <b>24,824</b>  | <b>Net Non-Domestic Rates Income</b>                              | <b>23,815</b> |
| (328)          | Prior year adjustment   | (970)         |
| 0              | Non domestic rates income retained by the authority               | 0             |
| <b>24,496</b>  | <b>Contribution to national non domestic rate pool</b>            | <b>22,845</b> |
| (25,550)       | Distribution from national non domestic rate pool (CIES)          | (23,586)      |
| <b>(1,054)</b> | <b>Net contribution to/(from) national non domestic rate pool</b> | <b>(741)</b>  |

### c) The Nature and Actual Amount of Each Rate Fixed

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 Scottish Government. The Non-Domestic Rate poundage for 2017/18 was 46.6p (2016/17 48.4p).

Small businesses with cumulative rateable values of £15,000 or less are eligible for a discount on the rate of poundage of 100%; small businesses with cumulative rateable values from £15,001 to £18,000 are eligible for a discount of 25%. Businesses with two or more properties with cumulative rateable values of £35,000 or less are eligible for a discount of 25% on any individual property with a rateable value of £18,000 or less. Properties with a rateable value over £51,000 pay a supplement of 2.6p (2016/17 2.6p) on the rate poundage.

### d) Analysis of Rateable Values and Number of Premises as at 1 April 2017

|                                      | Number of Subjects | Rateable Value |
|--------------------------------------|--------------------|----------------|
|                                      |                    | £000           |
| Industrial                           | 511                | 8,779          |
| Commercial                           | 1,484              | 37,215         |
| Others                               | 551                | 22,934         |
| Formula Valued (public undertakings) | 11                 | 63             |
| <b>Total</b>                         | <b>2,557</b>       | <b>68,991</b>  |

### e) Movement in Rateable Values in 2017/18

| 2016/17       |  | 2017/18       |
|---------------|--|---------------|
| £000          |  | £000          |
| 67,872        | <b>Rateable Values at 1 April</b>      | 68,991        |
| 21            | Running Roll (full Rateable Value)     | 1,511         |
| <b>67,893</b> | <b>Rateable Values at 31 March</b>     | <b>70,502</b> |
| (1,154)       | Less: Wholly Exempt                    | (1,087)       |
| <b>66,739</b> | <b>Net Rateable Values at 31 March</b> | <b>69,415</b> |

2017 is a revaluation year, and new rateable values applied with effect from 1 April 2017.

## Common Good and Trust Funds

### Summary of Trust Funds

The Council administers several Trust funds, which relate primarily to legacies left by individuals with connection in the area. These Trusts transferred to the Council from the former authorities of Strathkelvin District Council, Bearsden and Milngavie District Council, and Strathclyde Regional Council. The Trusts are specific to certain areas within the former authorities and the income from the Trusts can be used to fund expenditure that is appropriate to the purpose for which the original legacies were donated. Those Trust funds registered with the Office of the Scottish Charity Regulator (OSCR) are included in Charitable Trusts below.

#### a) Income and Expenditure Account

| 2016/17<br>Restated |                          | 2017/18                 |          |            |          |
|---------------------|--------------------------|-------------------------|----------|------------|----------|
|                     |                          | Charitable Trusts (CTs) |          | Other CTs  | Total    |
|                     |                          | R Lillie                | EDC CTs  |            |          |
| £000                |                          | £000                    | £000     | £000       | £000     |
| (39)                | Income in year           | (7)                     | 0        | (2)        | (9)      |
| 15                  | Expenditure in year      | 12                      | 0        | 0          | 12       |
| <b>(24)</b>         | <b>(Surplus)/Deficit</b> | <b>5</b>                | <b>0</b> | <b>(2)</b> | <b>3</b> |

#### b) Balance Sheet

| 2016/17<br>(Restated)  |                                   | 2017/18                 |          |           |            |
|------------------------|-----------------------------------|-------------------------|----------|-----------|------------|
|                        |                                   | Charitable Trusts (CTs) |          | Other CTs | Total      |
|                        |                                   | R Lillie                | EDC CTs  |           |            |
| £000                   |                                   | £000                    | £000     | £000      | £000       |
| <b>Assets:</b>         |                                   |                         |          |           |            |
| 217                    | External Investments              | 212                     | 0        | 0         | 212        |
| 62                     | Internal Investments              | 36                      | 5        | 30        | 71         |
| 8                      | Debtors                           | 1                       | 0        | 0         | 1          |
| <b>287</b>             | <b>Total Assets</b>               | <b>249</b>              | <b>5</b> | <b>30</b> | <b>284</b> |
| 0                      | Less Current Liabilities          | 0                       | 0        | 0         | 0          |
| <b>287</b>             | <b>Net Assets / (Liabilities)</b> | <b>249</b>              | <b>5</b> | <b>30</b> | <b>284</b> |
| <b>Represented by:</b> |                                   |                         |          |           |            |
| 268                    | Capital balance at 31 March       | 249                     | 2        | 14        | 265        |
| 19                     | Revenue balance at 31 March       | 0                       | 3        | 16        | 19         |
| <b>287</b>             | <b>Total Balance at 31 March</b>  | <b>249</b>              | <b>5</b> | <b>30</b> | <b>284</b> |

#### c) Additional Fund Information

The Income and Expenditure figure for 2016/17 has been restated to exclude William Patrick Library and Kirkintilloch War Memorial. The funds for William Patrick Library were transferred to EDLCT during 2016/17 and the funds for the Kirkintilloch War Memorial were utilised in 2016/17.

**R Lillie Charitable Trust** – Trust is for the establishment and upkeep of Lillie Art Gallery, Milngavie. An application has been submitted to OSCR to approve a transfer of the charity to East Dunbartonshire Leisure and Culture Trust. A decision is pending.

**East Dunbartonshire Council (EDC) Charitable Trusts** – These minor Trust Funds are held by the Council and mainly comprise legacies gifted for the upkeep of memorial cairns and Regent Gardens in Kirkintilloch and maintenance of lairs. The balances on these funds are generally too small to generate enough income to accomplish anything that would further the aims of the Trusts. The Trustees have therefore agreed a plan of action to utilise the balances on these funds for their original aims. This work will be ongoing in 2018/19.

**Various Other Non-Charitable Trusts** – These minor Trust Funds are held by the Council, mainly comprising legacies gifted for educational and social work purposes.



## Summary of Common Good Funds

Common Good Funds were inherited from former authorities, with the most significant one being the Talbot Crosbie fund, inherited from the former Bearsden and Milngavie District Council. This has a balance of £0.847m as at 31 March 2018 (2017/18 £0.878m). During 2017/18 Huntershill House, which was Common Good, was sold for £0.138m. These funds can be used for the common good/benefit of residents of the area and, as such, they are primarily used to give grants to appropriate organisations in the relevant areas. The Common Good Funds held by the Council are currently registered charities regulated by the OSCR. Common Good funds do not represent assets of the Council and are not included in the Council's Balance Sheet, but are included in the Council's Group Accounts.

### a) Income and Expenditure Account

| 2016/17    |              |                          | 2017/18      |           |
|------------|--------------|--------------------------|--------------|-----------|
| General    | T Crosbie    |                          | General      | T Crosbie |
| £000       | £000         |                          | £000         | £000      |
| (1)        | (142)        | Income in year           | (138)        | (27)      |
| 0          | 21           | Expenditure in year      | 0            | 56        |
| <b>(1)</b> | <b>(121)</b> | <b>(Surplus)/Deficit</b> | <b>(138)</b> | <b>29</b> |

### b) Balance Sheet

| 2016/17   |            |                                   | 2017/18    |            |
|-----------|------------|-----------------------------------|------------|------------|
| General   | T Crosbie  |                                   | General    | T Crosbie  |
| £000      | £000       |                                   | £000       | £000       |
| 0         | 723        | <b>Assets:</b>                    | 0          | 699        |
| 83        | 129        | External Investments              | 221        | 146        |
| 0         | 26         | Internal Investments              | 0          | 4          |
| <b>83</b> | <b>878</b> | Debtors                           | <b>221</b> | <b>849</b> |
| 0         | 0          | <b>Total Assets</b>               | 0          | 0          |
| <b>83</b> | <b>878</b> | Less Current Liabilities          | <b>221</b> | <b>849</b> |
|           |            | <b>Net Assets / (Liabilities)</b> |            |            |
| 83        | 755        | <b>Represented by:</b>            | 221        | 730        |
| 0         | 123        | Capital balance at 31 March       | 0          | 119        |
| <b>83</b> | <b>878</b> | Revenue balance at 31 March       | <b>221</b> | <b>849</b> |
|           |            | <b>Total Balance at 31 March</b>  |            |            |

### c) Common Good – Property, Plant & Equipment

On 7 February 2012, the Policy & Resources Committee approved a management agreement whereby the Council operates land and property identified as Common Good. Under this agreement, the Council remains responsible for all costs and income relating to such assets and is entitled to use them.

International Financial Reporting Standards and associated guidance (*IFRIC 4: Determining Whether an Arrangement Contains a Lease*) require arrangements that convey the right to use an asset to be accounted for as a lease, even where they do not have the legal form of a lease. It has been determined that this arrangement has the substance of a finance lease, with the Council assuming the risks and rewards of ownership. The land and buildings are, therefore, disclosed on the Balance Sheet of the Council and not that of the Common Good.

The Common Good has a gross investment in the lease type arrangement, which comprises the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the land and buildings when the service agreement comes to an end. The value of the lease debtor and the gross investment is not significant as the agreement and associated peppercorn rentals are expected to remain in place for the foreseeable future.

### d) Regulations

The *Charities and Trustee Investment (Scotland) Act 2005* and the *Charities Accounts (Scotland) Regulations 2006*. Under the provisions of the 2005 Act and the Accounts Regulations, all registered charities in Scotland are required to prepare annual accounts that must be externally scrutinised; this will apply to all Trusts registered with OSCR.

The Council has been reviewing the Trusts it holds. Council of 15 November 2012 nominated four Members of East Dunbartonshire Council to act as Trustees for all the Council's registered Trusts. New appointments were made by Council on 23 May 2017. The Council has been liaising with OSCR over its plans to re-organise the Trusts to maximise the use that can be made of their assets -see **Section c** Additional Fund Information on the previous page.

## Group Financial Statements

### 1. Introduction

The *Code of Practice on Local Authority Accounting in the United Kingdom 2017/18* requires the Council to prepare group accounts where the authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality.

### 2. Group Boundary

East Dunbartonshire Council considers all entities in which it has an interest for consolidation into the group accounts. The following criteria are used for determining whether an entity falls within the group accounts and, if so, on what grounds:

- **Materiality**

Where the financial impact of omitting an entity from the group accounts would not cause a user of the accounts to form a different view of the accounts, the Council has opted not to include these entities within the group boundary. These entities are detailed under **Note 5** Non-Consolidated Interests in Other Entities.

- **Subsidiary**

The Code defines a subsidiary as an entity that the authority has the ability to control through the power to govern their financial and operating policies so as to obtain benefits from the entity's activities. Control is usually presumed where an authority owns more than half the voting power of the entity. East Dunbartonshire Leisure and Culture Trust Limited and Mugdock Country Park Joint Management Committee have been consolidated in to the Group Statements as subsidiaries as at 31 March 2018.

- **Joint Venture**

The Code defines a joint venture as an entity which the authority has contractually agreed to share control with another party or parties such that significant decisions require unanimous consent and the joint venturers have rights to the net assets of the arrangement. The Council has identified one entity that meets the definition of a joint venture at 31 March 2018, the East Dunbartonshire Health & Social Care Partnership, an Integration Joint Board established with NHS Greater Glasgow and Clyde.

- **Associates**

The Code defines an associate as an entity for which the authority is an investor that has significant influence, i.e. the power to participate in the financial and operating policy decisions of the entity. The entities that have been included in the group accounts as associates are Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee and Dunbartonshire and Argyll & Bute Valuation Joint Board.

### 3. Method of Consolidation

In accordance with the Code, the subsidiaries have been fully consolidated and have a financial year end of 31 March 2018. This means that the financial statements of the subsidiary are consolidated by adding like items of assets, liabilities, reserves, income and expenses together line by line to those of the Council's financial statements. All intra-group balances and transactions are eliminated upon consolidation.

The joint venture has a financial year end of 31 March 2018 and has been consolidated using the equity method as required by the Code. This approach involves consolidating the Council's share of the net surplus or deficit for the year, as well as a share of the net assets of the entity. These results are shown as a separate line within the Group Comprehensive Income and Expenditure Statement and Group Balance Sheet. The Council's share of the results is deemed equal to the Council's share of the voting rights in the Health & Social Care Partnership (50%).

The three associates have also been consolidated at their financial year ends of 31 March 2018 using the equity method as above, which complies with the Code. The Council's share of the results is deemed to be equal to the share of the funding that the Council contributed to each entity. In 2017/18 that share was as follows:

- Strathclyde Partnership for Transport – In 2017/18 the Council contributed 5.06% of budgeted operating costs (5.06% in 2016/17);
- Strathclyde Concessionary Travel Scheme Joint Committee – In 2017/18 the Council contributed 5.14% of estimated operating costs (5.14% in 2016/17);
- Dunbartonshire and Argyll and Bute Valuation Joint Board – In 2017/18 the Council contributed 24.95% of estimated operating costs (24.95% in 2016/17)

All material group entities prepared their financial statements in accordance with the Code.

## Group Comprehensive Income and Expenditure Statement

The Group Comprehensive Income and Expenditure Statement combines the Income and Expenditure figures of the Council with the Council's share of the operating results of those entities in which it has a financial interest.

| 2016/17 Restated                 |                 |                         | 2017/18  |                |                         |                  |
|----------------------------------|-----------------|-------------------------|--|----------------|-------------------------|------------------|
| Gross Expend.                    | Gross Income    | Net Expend. or (Income) | Gross Expend.  | Gross Income   | Net Expend. or (Income) |                  |
| £000                             | £000            | £000                    | £000   | £000           | £000                    |                  |
| <b>Service Revenue Accounts:</b> |                 |                         |  |                |                         |                  |
| 19,070                           | (2,645)         | 16,425                  | Chief Exec./Depute Ch. Ex.s/Joint Brds/Misc.   | 17,838         | (2,773)                 | 15,065           |
| 26,641                           | (10,299)        | 16,342                  | Assets & Facilities  | 26,778         | (9,335)                 | 17,443           |
| 9,185                            | (2,168)         | 7,017                   | Roads & Transportation   | 10,023         | (1,892)                 | 8,131            |
| 17,835                           | (1,974)         | 15,861                  | Neighbourhood Services   | 18,439         | (2,734)                 | 15,705           |
| 3,991                            | (2,720)         | 1,271                   | Housing  | 3,746          | (1,994)                 | 1,752            |
| 1,931                            | (848)           | 1,083                   | Land, Planning & Development   | 1,903          | (921)                   | 982              |
| 5,108                            | (810)           | 4,298                   | Place & Community Planning   | 5,108          | (1,038)                 | 4,070            |
| 134,710                          | (3,546)         | 131,164                 | Education  | 117,499        | (5,191)                 | 112,308          |
| 23,554                           | (19,584)        | 3,970                   | Finance, Audit & Performance   | 21,530         | (17,221)                | 4,309            |
| 3,323                            | (834)           | 2,489                   | Legal & Democratic Services  | 3,271          | (672)                   | 2,599            |
| 3,352                            | (366)           | 2,986                   | Organisational Transformation  | 4,138          | (345)                   | 3,793            |
| 10,303                           | (1,110)         | 9,193                   | Customer & Digital Services  | 11,449         | (1,047)                 | 10,402           |
| 68,533                           | (16,104)        | 52,429                  | Social Work  | 77,238         | (21,322)                | 55,916           |
| 16,150                           | (13,393)        | 2,757                   | Housing Revenue Account  | 15,659         | (13,861)                | 1,798            |
| (1,922)                          | 0               | (1,922)                 | Share of Oper'g Results of Joint Ventures  | 572            | 0                       | 572              |
| (1,007)                          | 0               | (1,007)                 | Share of Operating Results of Associates   | (4,554)        | 0                       | (4,554)          |
| <b>340,757</b>                   | <b>(76,401)</b> | <b>264,356</b>          | <b>Service Totals</b>  | <b>330,637</b> | <b>(80,346)</b>         | <b>250,291</b>   |
| (6,631)                          | 6,631           | 0                       | Elimination of Internal Transactions   | (5,446)        | 5,446                   | 0                |
| <b>334,126</b>                   | <b>(69,770)</b> | <b>264,356</b>          | <b>Net Cost of Services (1)</b>  | <b>325,191</b> | <b>(74,900)</b>         | <b>250,291</b>   |
|                                  |                 |                         | (353) (Gains) / Loss on Disposal of Non-current Assets                                 |                |                         | 4,047            |
|                                  |                 |                         | <b>(353) Other Operating (Income) or Expenditure (2)</b>                               |                |                         | <b>4,047</b>     |
|                                  |                 |                         | 15,179 Interest Payable and Similar Charges  |                |                         | 15,343           |
|                                  |                 |                         | (33) Share of Interest Payable by Associates   |                |                         | (35)             |
|                                  |                 |                         | 5,141 Pension Interest Cost/Expected Return on Pension Assets                          |                |                         | 5,716            |
|                                  |                 |                         | 88 Share of Pension Interest Cost/Expected Return on Pension Assets                    |                |                         | 109              |
|                                  |                 |                         | (262) Interest Receivable and Similar Income   |                |                         | (306)            |
|                                  |                 |                         | 0 Share of Interest Receivable by Associates   |                |                         | 0                |
|                                  |                 |                         | 0 (Gain) / Loss on early settlement of Borrowing                                       |                |                         | 0                |
|                                  |                 |                         | <b>20,113 Financing and Investment Income and Expenditure (3)</b>                      |                |                         | <b>20,827</b>    |
|                                  |                 |                         | (51,302) Council Tax and Community Charge  |                |                         | (58,042)         |
|                                  |                 |                         | (25,550) Non-Domestic Rates  |                |                         | (23,586)         |
|                                  |                 |                         | (159,542) General Revenue Grant  |                |                         | (159,146)        |
|                                  |                 |                         | (14,467) Recognised Capital Grants / Contributions                                     |                |                         | (18,979)         |
|                                  |                 |                         | <b>(250,861) Taxation and Non-Specific Grant Income (4)</b>                            |                |                         | <b>(259,753)</b> |
|                                  |                 |                         | <b>33,255 (Surplus) or Deficit on the Provision of Services (5)</b>                    |                |                         | <b>15,412</b>    |
|                                  |                 |                         | {(1) + (2) + (3) + (4)}  |                |                         |                  |
|                                  |                 |                         | 13,357 (Surplus) or Deficit on the Revaluation of Property, Plant and Equipment assets |                |                         | (12,175)         |
|                                  |                 |                         | 68,435 Actuarial (Gains) or Losses on Pensions Assets and Liabilities                  |                |                         | (109,647)        |
|                                  |                 |                         | 190 Other Unrealised (Gains) or Losses   |                |                         | 89               |
|                                  |                 |                         | <b>81,982 Other Comprehensive Income and Expenditure (6)</b>                           |                |                         | <b>(121,733)</b> |
|                                  |                 |                         | <b>115,237 Total Comprehensive Income and Expenditure {(5) + (6)}</b>                  |                |                         | <b>(106,321)</b> |

2016/17 figures restated in accordance with guidance on simplifying presentation and reporting internal transactions and to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

## Group Movement in Reserves Statement

The Group Movement in Reserves Statement shows the movement in the year on the different reserves held by the Council, together with the movement in the Council's share of those entities in which it has a financial interest.

|  | Usable Reserves             |                |                 | Unusable Reserves           |                |                  | Total Group Reserves |
|--|-----------------------------|----------------|-----------------|-----------------------------|----------------|------------------|----------------------|
|  | East Dunbartonshire Council | Group Entities | Total Group     | East Dunbartonshire Council | Group Entities | Total Group      |                      |
|  | £000                        | £000           | £000            | £000                        | £000           | £000             | £000                 |
| <b>Balance at 31 March 2017 (Restated)</b>                               | <b>28,668</b>               | <b>8,994</b>   | <b>37,662</b>   | <b>220,495</b>              | <b>(3,612)</b> | <b>216,883</b>   | <b>254,545</b>       |
| <b>Movement in reserves during 2017/18:</b>                              |                             |                |                 |                             |                |                  |                      |
| <b>Total Comprehensive Income and (Expenditure)</b>                      | <b>(18,480)</b>             | <b>3,067</b>   | <b>(15,413)</b> | <b>111,465</b>              | <b>10,269</b>  | <b>121,734</b>   | <b>106,321</b>       |
| Adjustments between accounting basis and funding basis under regulations | 17,691                      |                | 17,691          | (17,691)                    |                | (17,691)         | 0                    |
| Transfers to/from Other Statutory Reserves                               |                             |                | 0               |                             |                | 0                | 0                    |
| <b>Increase or (Decrease) in the year</b>                                | <b>(789)</b>                | <b>3,067</b>   | <b>2,278</b>    | <b>93,774</b>               | <b>10,269</b>  | <b>104,043</b>   | <b>106,321</b>       |
| <b>Balance at 31 March 2018 carried forward</b>                          | <b>27,879</b>               | <b>12,061</b>  | <b>39,940</b>   | <b>314,269</b>              | <b>6,657</b>   | <b>320,926</b>   | <b>360,866</b>       |
| <b>Balance at 31 March 2016</b>  | <b>28,539</b>               | <b>7,624</b>   | <b>36,163</b>   | <b>332,569</b>              | <b>1,050</b>   | <b>333,619</b>   | <b>369,782</b>       |
| <b>Movement in reserves during 2016/17:</b>                              |                             |                |                 |                             |                |                  |                      |
| <b>Total Comprehensive Income and (Expenditure)</b>                      | <b>(35,483)</b>             | <b>1,370</b>   | <b>(34,113)</b> | <b>(76,462)</b>             | <b>(4,662)</b> | <b>(81,124)</b>  | <b>(115,237)</b>     |
| Adjustments between accounting basis and funding basis under regulations | 35,612                      | 0              | 35,612          | (35,612)                    | 0              | (35,612)         | 0                    |
| Transfers to/from Other Statutory Reserves                               | 0                           | 0              | 0               | 0                           | 0              | 0                | 0                    |
| <b>Increase or (Decrease) in the year</b>                                | <b>129</b>                  | <b>1,370</b>   | <b>1,499</b>    | <b>(112,074)</b>            | <b>(4,662)</b> | <b>(116,736)</b> | <b>(115,237)</b>     |
| <b>Balance at 31 March 2017 carried forward (Restate)</b>                | <b>28,668</b>               | <b>8,994</b>   | <b>37,662</b>   | <b>220,495</b>              | <b>(3,612)</b> | <b>216,883</b>   | <b>254,545</b>       |

2016/17 figures restated to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

## Group Balance Sheet

The Group Balance Sheet shows as at 31 March 2018 the assets and liabilities of the Group, and combines the Council's assets and liabilities with its share of the assets and liabilities of those entities in which it has a financial interest.

| 31 March 2017<br>Restated<br>£000 |  | 31 March 2018<br>£000 |
|-----------------------------------|--|-----------------------|
| 228,378                           | Property, Plant and Equipment              | 745,569               |
| 3,204                             | Heritage Assets                            | 3,204                 |
| 973                               | Intangible Assets                          | 1,010                 |
| 12,208                            | Investments in Associates & Joint Ventures | 18,562                |
| 21                                | Long-term Debtors                          | 124                   |
| <b>744,784</b>                    | <b>Long-term Assets</b>                    | <b>768,469</b>        |
| 626                               | Current Intangible Assets                  | 378                   |
| 0                                 | Short-term Investments                     | 0                     |
| 3,276                             | Assets Held for Sale                       | 3,836                 |
| 559                               | Inventories                                | 568                   |
| 19,532                            | Short-term Debtors                         | 19,601                |
| 11,230                            | Cash and Cash Equivalents                  | 16,263                |
| <b>35,223</b>                     | <b>Current Assets</b>                      | <b>40,646</b>         |
| (22,610)                          | Short-term Borrowing                       | (32,321)              |
| (39,038)                          | Short-term Creditors                       | (45,550)              |
| (3,610)                           | Provisions                                 | (873)                 |
| (6)                               | Short-term Grants & Receipts in Advance    | (6)                   |
| <b>(65,264)</b>                   | <b>Current Liabilities</b>                 | <b>(78,750)</b>       |
| (144,936)                         | Long-term Borrowing                        | (150,237)             |
| (1,521)                           | Liabilities in Associates                  | (576)                 |
| (84,369)                          | Other Long-term Liabilities (PPP contract) | (82,272)              |
| (224,198)                         | Other Long-term Liabilities (Pensions)     | (133,090)             |
| (361)                             | Provisions                                 | (360)                 |
| (4,813)                           | Long-term Grants & Receipts in Advance     | (2,964)               |
| <b>(460,198)</b>                  | <b>Long-term Liabilities</b>               | <b>(369,499)</b>      |
| <b>254,545</b>                    | <b>Net Assets</b>                          | <b>360,866</b>        |
| 37,662                            | Usable Reserves                            | 39,940                |
| 216,883                           | Unusable Reserves                          | 320,926               |
| <b>254,545</b>                    | <b>Total Reserves</b>                      | <b>360,866</b>        |

2016/17 figures restated to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

The audited accounts were issued on 27 September 2018.

I certify that this presents a true and fair view of the financial position of the Council at 31 March 2018, and its income and expenditure for the year ended 31 March 2018.

.....  
**Jamie Robertson CPFA**  
**Chief Finance Officer**  
Date: 27 September 2018

## Group Cash Flow Statement

The Group Cash Flow Statement shows the change in the year of cash and cash equivalents of the Council and those entities in which it has a financial interest.

| 2016/17 Restated |  | 2017/18         |
|------------------|--|-----------------|
| £000             |  | £000            |
| 33,255           | <b>Net (Surplus) or Deficit on the Provision of Services</b>                           | 15,412          |
| (62,155)         | Adjust for Non-Cash Movements  | (54,298)        |
| 17,267           | Adjust for Items in Net Surplus or Deficit that are Investing and Financing Activities | 20,395          |
| <b>(11,633)</b>  | <b>Net Cash Flows from Operating Activities</b>  | <b>(18,491)</b> |
| 24,025           | Investing Activities   | 26,100          |
| (16,901)         | Financing Activities   | (12,642)        |
| <b>(4,509)</b>   | <b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>                          | <b>(5,033)</b>  |
| (6,721)          | Cash and Cash Equivalents at 1 April   | (11,230)        |
| <b>(11,230)</b>  | <b>Cash and Cash Equivalents at 31 March</b>   | <b>(16,263)</b> |
| 31 March 2017    | Cash and Cash Equivalents  | 31 March 2018   |
| £000             |  | £000            |
| (23)             | Cash Held by Officers  | (12)            |
| (91)             | Bank Current Accounts  | 3,628           |
| (11,116)         | Short-term Deposits (Temporary Investments)  | (19,879)        |
| <b>(11,230)</b>  | <b>Total Cash and Cash Equivalents</b>   | <b>(16,263)</b> |

2016/17 figures restated to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

## Notes to the Group Financial Statements

### 1. Statement of Group Accounting Policies

The Financial Statements in the Group Accounts have been prepared in accordance with the Council's accounting policies. Where group members are not required to prepare their financial statements on an IFRS basis, consolidation adjustments have been made where applicable. The Council has adopted the recommendations of the Code, which requires local authorities to consider their interests in all types of entity to incorporate into Group Accounts. A full set of Group Accounts, in addition to the Council's accounts, has been prepared which incorporates material balances from identified associated entities.

The Council has accounted for its interest in each Subsidiary using the acquisition method of accounting. The Council's interest in its Joint Venture and each Associate has been accounted for using the equity method of accounting. With regard to the Joint Boards, the Council's interest reflects the requisition share paid by the Council.

### 2. Going Concern

For one of the Subsidiaries and one of the Associates, the Council's share of net worth is a net liability. For Dunbartonshire and Argyll & Bute Valuation Joint Board, the net liability is a direct result of the requirement to fully account for pension liabilities. Both have prepared their accounts on a 'going concern' basis. Statutory arrangements are in place with the other constituent authorities for the funding of the Valuation Joint Board. The Council's Group Accounts have been prepared on a going concern basis as there is no reason to suggest that future funding will not be available for these bodies.

### 3. Stock

Stock is valued at weighted average cost and the lower of cost or net realisable value as follows. The difference in valuation methods does not have a material effect on the results of the Group given the levels of stockholdings in these organisations.

- Net cost or realisable value: Strathclyde Partnership for Transport and Mugdock Country Park's stock.

### 4. Combining Entities

Recognition has been made of the Council's controlling interest in two Subsidiary companies. The Council has effective control over the Common Good and Trust Funds, which it administers and these are also treated as subsidiaries in the Group Accounts. The Council also consolidates its interests in one Joint Venture and three Associates. The accounting period end for all entities is 31 March 2018.

The percentage share of each combining entity's financial results (excluding Minority interests) is as follows:

| 2016/17 Restated           |                 |                            | 2017/18  |                 |                            |
|----------------------------|-----------------|----------------------------|--|-----------------|----------------------------|
| Group Share                | Net Exp / (Inc) | Net Assets / (Liabilities) | Group Share  | Net Exp / (Inc) | Net Assets / (Liabilities) |
| %                          | £000            | £000                       | %  | £000            | £000                       |
| <b>Consolidation Basis</b> |                 |                            |  |                 |                            |
| <b>Subsidiaries:</b>       |                 |                            |  |                 |                            |
| 100.0                      | 4,887           | (6,553)                    | ED Leisure & Culture Trust                               | Voting Rights   | 100.0 (5,631) (922)        |
| 100.0                      | 0               | 0                          | Mugdock Country Park Joint C'ttee                        | Voting Rights   | 100.0 0 0                  |
| 100.0                      | 83              | 287                        | EDC Trust Funds  | Trustees        | 100.0 3 284                |
| 100.0                      | (122)           | 961                        | EDC Common Good  | Trustees        | 100.0 (109) 1,070          |
| <b>Joint Ventures</b>      |                 |                            |  |                 |                            |
| 50.0                       | (1,922)         | 2,616                      | ED Health & Social Care Partner.                         | Voting Rights   | 50.0 572 2,044             |
| <b>Associates:</b>         |                 |                            |  |                 |                            |
| 5.06                       | (436)           | 9,505                      | Strathclyde Partner. for Transport                       | Requisition     | 5.06 (7,140) 16,645        |
| 5.14                       | (1)             | 87                         | Strathclyde Conc. Travel C'ttee                          | Requisition     | 5.14 7 80                  |
| 24.95                      | 803             | (1,521)                    | Dunbartonshire and Argyll and Bute Valuation Joint Board | Requisition     | 24.95 (1,038) (483)        |
|                            | <b>3,292</b>    | <b>5,382</b>               | <b>Total Consolidated Group Entities</b>                 |                 | <b>(13,336) 18,718</b>     |
|                            | 111,945         | 249,163                    | <b>East Dunbartonshire Council</b>                       |                 | (92,985) 342,148           |
|                            | <b>115,237</b>  | <b>254,545</b>             | <b>Group Financial Statements</b>                        |                 | <b>(106,321) 360,866</b>   |

2016/17 figures restated to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

## a) Subsidiaries

### East Dunbartonshire Leisure and Culture Trust Limited

East Dunbartonshire Leisure & Culture Trust was incorporated in November 2010 as a charitable company limited by guarantee. The limit of the Council's liability if the company was wound up is £1.

The Trust began delivering a range of leisure and cultural services on behalf of East Dunbartonshire Council on 1 April 2011. These services extend to the provision of leisure centres, libraries, an art gallery and museum.

The company's Articles of Association state that the Council is the sole member of the company with the power to appoint and remove directors. The Board consists of 11 directors. There are five directors who are Councillors of, and directly appointed by, the Council. Of the remaining directors, five are appointed by the Council based on the recommendation of a nominations committee and one is appointed based on nomination by the Trade Union. The total net liability position of the company at 31 March 2018 was £1.414m (2016/17 £6.553m) after accounting for *FRS17: Retirement Benefits*. The following additional disclosures are required under accounting regulations for this Company because the Council's share of the net liability exceeds 25%:

| 2016/17 |                             | 2017/18 |
|---------|-----------------------------|---------|
| £000    |                             | £000    |
| 10,088  | Turnover                    | 10,067  |
| (4,887) | Profit or (loss) before tax | 5,631   |
| 0       | Taxation                    | 0       |
| (4,887) | Profit or (loss) after tax  | 5,631   |
| 51      | Long term assets            | 42      |
| 4,175   | Current assets              | 3,736   |
| (2,211) | Current liabilities         | (1,789) |
| (8,568) | Long term liabilities       | (2,911) |

The accounts of the Trust are published separately and can be obtained from:

East Dunbartonshire Leisure & Culture Trust  
William Patrick Library  
2 – 4 West High Street  
Kirkintilloch  
G66 1AD

### Mugdock Country Park Joint Management Committee

This Joint Committee has been appointed to carry out duties under Section 48(4) of the *Countryside (Scotland) Act 1967*, namely to provide, lay and improve, maintain and manage Mugdock Country Park. The Joint Committee is acting on behalf of East Dunbartonshire Council and Stirling Council in this regard Administrative and Funding Arrangements for Mugdock Country Park are conducted in accordance with the Minute of Agreement between East Dunbartonshire Council and Stirling Council. A new Minute of Agreement between the authorities was signed on 9 February 2016, and was effective from 1 April 2016. Capital expenditure is now split 50/50 between the respective authorities, and Stirling Council pays a fixed revenue contribution of £50,000 per annum.

The net assets of the Joint Committee at 31 March 2018 were nil. Title to the community assets of Mugdock Country Park rests with Stirling Council. Under the revised management agreement, which came into effect from 1 April 2008, East Dunbartonshire Council has beneficial use of the fixed assets of Mugdock Country Park. East Dunbartonshire has a lease on these assets for £1 per year until 2049. Accordingly, it has been considered appropriate that the Park's fixed assets are consolidated into the accounts of the Council. At 31 March 2018, the total net book value of the Park's buildings and equipment was £587,390 and of community assets was £2,180,000.

*IAS19: Employee Benefits* sets out the reporting requirements for retirement benefits. The purpose of these pension disclosures is to provide clear information on the impact of an organisation's obligation to fund the retirement benefits of its staff on its financial position and performance. There is, therefore, a requirement to disclose certain information concerning assets, liabilities, and income and expenditure related to the pension schemes for employees.

Under the terms of the Minute of Agreement between the Council and Stirling Council, the Council is the permanent employer of the staff of Mugdock Country Park and deals with all payments related to the Local Government Superannuation Scheme. For that reason, revenue commitments and balance sheet disclosures for the purposes of *IAS19* are identified within the accounts for the Council rather than those for Mugdock Country Park. The employees of Mugdock Country Park are members of the Local Government Superannuation Scheme and the required accounting treatment is made with the accounts of the Council.



## b) Joint Ventures

### East Dunbartonshire Health and Social Care Partnership

This is the statutory body responsible for integrating health and social care in the East Dunbartonshire area and it was established by order of Scottish Ministers on 27 July 2015 and empowered on 3 September 2015. In 2017/18, the Partnership managed services worth £68.656m on behalf of the Council. The Council also provided some support services to the Integration Joint Board at no cost as a "service in kind". These accounting arrangements are in line with the agreement of the Integration Joint Board of 3 September 2015, have been reported to the Council's Policy and Resources Committee of 2 June 2016 and were approved at Council of 21 June 2016.

There is a risk to the Council that there could be an overspend on social care by EDHSCP. Accurate monitoring of expenditure and income by EDHSCP and the Council should highlight any issues at an early stage so action can be taken to resolve them.

Accounts for the Partnership are published separately and can be obtained from:

East Dunbartonshire Health and Social Care Partnership HQ Offices  
Kirkintilloch Health & Care Centre  
10 Saramago Street  
Kirkintilloch  
G66 3BF

## c) Associates

### Strathclyde Partnership for Transport

This is the statutory body responsible for formulating the public transport policy for 12 local authorities in the West of Scotland. In 2017/18, the Council contributed £1.855m (2016/17 £1.893m) to the Partnership's estimated operating costs, which represents the Council's agreed share of costs of the year (5.06%).

Accounts for the Partnership are published separately and can be obtained from:

The Treasurer  
Strathclyde Partnership for Transport  
Consort House  
12 West George Street  
Glasgow  
G2 1HN

### Strathclyde Concessionary Travel Scheme Joint Committee

This scheme is provided for 12 local authorities in the West of Scotland. The Joint Committee is responsible for the operation of the concessionary fares scheme for public transport within this area. The costs of the scheme are met by the 12 local authorities and by the Scottish Government. Strathclyde Partnership for Transport administers the scheme on behalf of the Joint Committee. In 2017/18, the Council contributed £0.215m (2016/17 £0.219m) to the Joint Committee's estimated operating costs, which represents the Council's agreed share of costs for the year (5.14%). Accounts for the Joint Committee are published separately and can be obtained from Strathclyde Partnership for Transport at the address given above.

### Dunbartonshire and Argyll and Bute Valuation Joint Board

This is the statutory body formed under the *Valuation Joint Boards (Scotland) Order 1995*, and is responsible for carrying out the valuation responsibilities of the three local authorities within its boundary, namely East Dunbartonshire Council, West Dunbartonshire Council and Argyll and Bute Council. In 2017/18 the Council contributed £0.646m (2016/17 £0.664m) to the Board's estimated operating costs, which represents the Council's 24.95% agreed share of costs for the year.

Accounts for the Joint Board are published separately and can be obtained from:

The Treasurer  
Dunbartonshire and Argyll and Bute Valuation Joint Board  
West Dunbartonshire Council Offices  
Garshake Road  
Dumbarton  
G82 3LG

## 5. Non-Consolidated Interests in Other Entities

The Council has an interest in various other entities, as summarised below. These entities are part of the Council's group for the purposes of Group Accounts and, as such, it is recognised that the nature of the relationship with these bodies should be included in these Notes. However, it has been decided that the Council's share of the net worth of these entities is not material to a fair understanding of the financial position of the Council, and so they have not been consolidated into the Group Accounts.

### East Dunbartonshire Development Company

The principal business was to provide rental accommodation for businesses located within the Council area. Following disposal of the property portfolio and the resolution of some related legal issues, the intention is to wind up the company. The Directors of the company include one officer and two Elected Members of the Council. The Council has purchased all the shares and fixed assets of the company. The Council has taken on full obligations associated with the purchase of the assets and, as these are already reflected in the Council's accounts, no further consolidation is required. The accounts of the company are published separately and can be obtained from:

East Dunbartonshire Development Company Limited  
c/o Scott-Moncrieff  
25 Bothwell Street  
Glasgow  
G2 6NL

### Kirkintilloch's Initiative Limited

This company is limited by guarantee and its principal business is to project manage the local regeneration initiative in Kirkintilloch. This is jointly developed and funded by the Council and NHS Greater Glasgow and Clyde. Two Council officers serve as directors of the company.

The company holds no material fixed assets and has no long-term liabilities. As at the end of the financial year, there are no amounts due to or from the company in the accounts of the Council. Copies of the accounts can be obtained by writing to:

Kirkintilloch's Initiative Limited  
c/o East Dunbartonshire Council  
Southbank Marina  
12 Strathkelvin Place  
Kirkintilloch  
G66 1TJ

### Scotland Excel

A centre of procurement expertise for local authorities in Scotland. Its remit is to deliver best value for public services by securing cost reductions, improving best practice in procurement capacity and capability and to create a forum and communication medium for positive engagement with suppliers. Scotland Excel is a non-profit making organisation funded mainly by participating local authorities. The Council contributed £0.077m (2.2%) to the consortium in 2017/18 (2016/17 £0.077m, 2.2%).

### Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee (Clydeplan)

Comprises the eight councils within its area who work together on strategic development planning matters. The principal role of the Joint Committee is to prepare and maintain an up to date Strategic Development Plan for the area. This process involves engagement through joint working and consultation with a number of key stakeholder organisations and the wider community. The Council contributed £0.072m (12.5%) in 2017/18 (2016/17 £0.072m, 12.5%).

### Hub West Scotland Limited

Hub West Scotland (Hubco) is a public private development organisation, limited by shares. It works with its public sector partners to plan, design, build, fund and maintain buildings in the most efficient and effective manner, delivering better value for money and ultimately improving public services. The Council is one of eight public sector partners who hold equal shares in the organisation, alongside Wellspring and Scottish Futures Trust. Hubco is currently engaged in the Council's Primary School Improvement Programme, the community hubs and a few other capital projects.

## SEEMIS Group LLP

This limited liability partnership involves 28 local authority members and is concerned with the provision of information technology solutions to its member councils. The Council paid £0.088m for services in 2017/18 (2016/17 £0.098m) and was entitled to a membership percentage of 2.48% in 2017/18 (2016/17 2.42%).

## Dunbartonshire Educational Trust Scheme 1962

The Trust is registered with the Office of the Scottish Charity Regulator (OSCR). The Trust's income from its bequests and endowments is to be used for educational prizes and bursaries in the local authority areas formerly covered by the Dunbartonshire County education department. West Dunbartonshire Council administers the Trust.

## Glasgow and Clyde Valley Cabinet (City Deal)

A Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic development priorities for the Clyde Valley region and to monitor and ensure the delivery of the City Deal programme as agreed between member authorities and the UK and Scottish Governments. The City Deal programme anticipates the delivery of a £1.1bn investment programme and, in addition, delivery of labour market and innovation programmes. The Council contributed £0.059m (5.88%) in 2017/18 (2016/17 £0.054m, 5.49%).

## 6. Financial Impact of Consolidation

### a) Group Balance Sheet Statement

By including the group entities, the effect on the Group Balance Sheet is an increase in both Reserves and Net Assets (excluding minority interests) of £17.941m (£5.406m, 2016/17). This represents the Council's share of the net assets of these entities.

### b) Group Comprehensive Income and Expenditure Statement

The notes contained in the Council's single entity accounts are not significantly changed as a result of consolidation of group entities. In addition to the Balance Sheet, the only other item of a material nature is in relation to the Group Comprehensive Income and Expenditure Statement, as follows:

| 2016/17<br>Restated | (Surplus) or Deficit on the Provision of Services                       | 2017/18        |
|---------------------|---|----------------|
| £000                |   | £000           |
| 685                 | East Dunbartonshire Leisure & Culture Trust                             | 946            |
| (39)                | Common Good and Trust Funds   | (106)          |
| (1,922)             | Integration Joint Board   | 572            |
| (1,067)             | Strathclyde Partnership for Transport                                   | (4,624)        |
| (1)                 | Strathclyde Concessionary Travel Scheme Joint Board                     | 7              |
| 116                 | Dunbartonshire and Argyll and Bute Valuation Joint Board                | 137            |
| <b>(2,228)</b>      | <b>Total for Consolidated Group Entities</b>                            | <b>(3,068)</b> |
| 35,483              | East Dunbartonshire Council single entity accounts                      | 18,480         |
| <b>33,255</b>       | <b>Total for Group Comprehensive Income &amp; Expenditure Statement</b> | <b>15,412</b>  |

2016/17 figures restated to incorporate a change in the East Dunbartonshire Health and Social Care Partnership figures.

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

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

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Dunbartonshire Council and its group for the year ended 31 March 2018 under Part VII of the *Local Government (Scotland) Act 1973*. The financial statements comprise the council-only and group Comprehensive Income and Expenditure Statements, Balance Sheets, Movement in Reserves Statements, Cash Flow Statements, the council-only Housing Revenue Account, the Movement on the Housing Revenue Account Statement, Council Tax Income Statement, Non Domestic Rates Income Statement, Common Good and Trust Funds and notes to the financial statements, including the accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the *Local Government (Scotland) Act 1973*, *The Local Authority Accounts (Scotland) Regulations 2014*, and the *Local Government in Scotland Act 2003*.

#### Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Conclusions relating to going concern basis of accounting

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

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

## **Responsibilities of the Chief Finance Officer and the Audit and Risk Management committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer 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 Chief Finance Officer 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 Chief Finance Officer 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 Audit and Risk Management committee is responsible for overseeing the financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Other information in the annual accounts**

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

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

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

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

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

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

## Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
27 September 2018

## Glossary

While much of the terminology used in this document is intended to be self-explanatory, the following additional definitions and interpretation of terms may be of assistance.

### 1) Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

### 2) Actuarial Benefit of Pension Added Years

The actuarial value of continuing costs payable to the pension fund as a result of the years added to service for the calculation of pension benefits.

### 3) Actuarial Gains and Losses (Pension)

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses) or the actuarial assumptions have changed.

### 4) Agency Services

These are services that are performed by or for another authority or public body, where the principal (the authority responsible for the service) reimburses the agent (the authority carrying out the work) for the costs of the work.

### 5) Asset

An item having value to the Council in monetary terms. An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset will provide benefit to the Council and to the services it provides for a period of more than one year.

### 6) Associated

An entity in which the Council has a participating interest or over whose operating and financial policies the Council is able to exercise significant influence.

### 7) Audit of Accounts

An independent examination of the Council's financial affairs.

### 8) Capital Adjustment Account

The Capital Adjustment Account relates to amounts set aside from capital resources to meet past expenditure.

### 9) Capital Grants Unapplied Account

This account holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure.

### 10) Capital Programme

The capital schemes the Council intends to carry out over a specified period of time.

### 11) Capital Receipt

Proceeds from the disposal of land or other non-current assets.

### 12) Carrying Amount

The Balance Sheet value recorded of either an asset or a liability.

### 13) CIES

Comprehensive Income and Expenditure Statement

### 14) CIPFA

The Chartered Institute of Public Finance and Accountancy

## 15) Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal, such as municipal parks.

## 16) Council Tax

This is the main source of local taxation to Local Authorities. Council Tax is levied on households within its area.

## 17) Creditor

Amounts owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## 18) Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities, expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

## 19) Curtailments (Pensions)

An event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service, e.g. certain types of early retirement. Gains and losses arising on curtailments are recognised immediately in the Comprehensive Income and Expenditure Statement. Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

## 20) Debtor

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## 21) Defined Benefit Pension Scheme

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

## 22) Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time, or obsolescence through technical or other changes.

## 23) Discounts

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

## 24) Discretionary Benefits (Pension)

Retirement awards, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers.

## 25) Earmarked Reserves

The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

## 26) Entity

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

## 27) Equity

The Council's value of total assets less liabilities.



### **28) Events after the Balance Sheet Date**

Those events, both favourable and unfavourable, which occur between the Balance Sheet date and the date when the Annual Accounts are signed.

### **29) Expected Return on Assets (Pension)**

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

### **30) Fair Value**

The fair value of an asset is that price at which it could be exchanged in an arm's length transaction, less any grants receivable towards the purchase of use of the asset.

### **31) Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities (such as trade receivables and trade payables) and the most complex ones (such as derivatives and embedded derivatives).

### **32) Financial Instruments Adjustment Account**

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending and borrowing by the Council.

### **33) General Revenue Grant**

A grant paid by the Scottish Government to councils, contributing towards the general cost of their services.

### **34) Going Concern**

The concept that the Annual Accounts are prepared on the assumption that the Council (and its group entities) will continue in operational existence for the foreseeable future.

### **35) Government Grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Council. These grants may be specific to a particular scheme or may support the revenue or capital spend of the Council in general.

### **36) Impairment**

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

### **37) Infrastructure Assets**

Assets belonging to the Council represented mainly by highways, footpaths and bridges.

### **38) Intangible Assets**

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

### **39) Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period of the scheme liabilities because the benefits are one period closer to settlement

### **40) Inventories**

Items of raw materials and stock the Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

### **41) Joint Venture**

An entity in which the Council has an interest on a long-term basis and is jointly controlled by the Council and one or more entities under a contractual or other binding agreement.

#### **42) Liability**

A liability is where the Council owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A long-term (non-current) liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

#### **43) Materiality**

A transaction is considered material if its mis-statement or omission might reasonably be expected to influence assessments of the Council's stewardship, economic decisions or comparisons with other organisations based on financial statements.

#### **44) National Non-Domestic Rates Pool**

All Non-Domestic Rates collected by local authorities are remitted to the national pool and thereafter distributed to councils by the Scottish Government.

#### **45) Non-Current Assets**

These are created by capital expenditure incurred by the Council. They include property, vehicles, plant, machinery, roads, computer equipment, etc.

#### **46) Non-Distributed Costs**

Costs that cannot be allocated to specific services and are, therefore, excluded from the total cost relating to Service activity in accordance with the Service Reporting Code of Practice. Charges for added pension years and early retirement are examples of these costs.

#### **47) Past Service Cost (Pensions)**

The increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits. Past service costs are recognised in the Comprehensive Income and Expenditure Statement over the period until the benefit vests (the employee becomes fully entitled). If the benefits vest immediately, the past service cost is recognised immediately.

#### **48) Pay In Lieu**

A one-off payment for the salary that would have been earned over the notice period of a contract of employment, including holiday pay.

#### **49) Period**

Usually refers to the accounting period, which is the period of time covered by the accounts, normally a period of twelve months commencing on 1 April.

#### **50) Post-Employment Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment (e.g. pensions in retirement).

#### **51) Premiums**

These are discounts that have arisen following the early redemption of long-term debt, which are written down over the lifetime of replacement loans where applicable.

#### **52) Prior Year Adjustment**

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

#### **53) Provision**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

#### **54) Public Works Loan Board**

A Central Government Agency, which provides loans for one year and above to councils at interest rates only based on those at which the Government can borrow itself.

### **55) Rateable Value**

The annual assumed rental of a non-housing property, which is for Non-Domestic Rate purposes.

### **56) Redundancy Costs**

Payments made to employees who have been made redundant due to organisational changes, which includes statutory requirements and contractual obligations that arise when redundancy occurs.

### **57) Related Parties**

Entities or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council.

### **58) Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

### **59) Reserves**

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.

### **60) Residual Value**

The net realisable value of an asset at the end of its useful life.

### **61) Retiral Awards**

A payment from the Council based on the length of service given by the retiring employee.

### **62) Revaluation Reserve**

The Revaluation Reserve represents the store of gains on revaluation of fixed assets not yet realised through sales.

### **63) Settlement (Pensions)**

An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation, e.g. bulk transfers. Gains and losses arising on settlements are recognised immediately in the Comprehensive Income and Expenditure Statement.

### **64) Strain on the Fund (Pensions)**

An actuarially-calculated amount payable to the pension fund to meet any costs arising from benefits being paid earlier and for longer, and any reduction in the contributions to be received by the fund.

### **65) Treasury Management**

This is the process by which the Council controls its cash flow and its borrowing and lending activities.

### **66) Useful Economic Life**

The period over which the local authority will derive benefits from the use of a non-current asset.

### **67) Unsupported (Prudential) Borrowing**

This is borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets.