



Lenzie Meadow  
Primary School

# East Dunbartonshire Council

Annual Accounts  
**2016 - 17**



sustainable thriving achieving

**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 between the city and the gateway to the Highlands through the West Highland Way and eastwards through the Kelvin Valley.

With a population of approximately 107,000, East Dunbartonshire is in the mid-range of Scottish local authorities in terms of population, and covers an area of 77 square miles. It comprises an attractive mixture of urban and rural areas that include the suburban and rural settlements of Bearsden, Bishopbriggs, Kirkintilloch, Milngavie, Lenzie, Milton of Campsie, Lennoxton, Torrance and Twechar.

East Dunbartonshire is made up of 22 locally elected Councillors covering 7 wards. These elected Members constitute the Council with Officer structures cascading from the Chief Executive, as the Head of Paid Service, to the Depute Chief Executives, Strategic Leads and operational teams. The structure of the Corporate Management Team (CMT) and Senior Management Team (SMT) has been reviewed during the course of the financial year with a revised structure being 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, and this has delivered successful outcomes for the area. The East Dunbartonshire Community Planning Partnership (EDCPP) 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 EDCPP published a first Local Outcome Improvement Plan (LOIP) in 2016, and is now preparing for an updated version covering the period 2017-2027. Through the implementation of the LOIP, the Council continues to focus on and demonstrate improvement, achieving its 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, both in size and complexity. The economic downturn and on-going austerity measures continue to impact our local communities, with knock-on effects for Council services. The history of financial constraint within the Public Sector is such that it is continues to be vital that resources are targeted in an effective, economic and efficient way so that we may, in conjunction with our Partners, address the inequalities between our most and least deprived 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 impact on 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.

The Council will work towards the achievement of our vision and long term outcomes, reviewing these in anticipation of the 2017-2027 LOIP, and seeking to implement the following outcomes:

- East Dunbartonshire has an expanding economy with a competitive and diverse business and retail base.
- Our people are equipped with knowledge, skills and training to enable them to progress to employment.
- Our children and young people are safe, healthy and ready to learn.
- East Dunbartonshire is a safe and sustainable environment in which to live, work and visit.
- Our people and communities enjoy increased physical and mental wellbeing and health inequalities are reduced.
- Our older population is supported to enjoy a high quality of life and our more vulnerable citizens, 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. This is achieved corporately through the three year cycle of Business Improvement Plans, quarterly How Good is Our Service reports, Annual Public Performance Reports, and also through the work of the Community Planning Partnership Board. This comprehensive suite of performance monitoring reports 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 driven by demographic change is the key challenge and risk for the Council. Such pressures have required the significant and ongoing reshaping of service delivery with the Council taking this forward as part of its Transformation Programme, Strategic Planning and Performance Framework and Budget Reduction Strategy. Despite the Council's response, the challenges continue and, with ongoing reductions in grant funding, additional steps will be required and further transformation will shape the future delivery of Council services. Key risks and areas of uncertainty are as follow:

- *Changing Demographics* are manifest within areas such as homecare and carehome 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).
- *Inflation* – limited provision is available to address price movements. 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 2017/18, resulting in uncertainty for forward planning.
- *Welfare Reform* – provision has been made for services and income sources related to Welfare Reform. Discretionary Housing Payment and Universal Credit are key factors. The reforms are still being rolled out nationally, with the future being uncertain.
- *Treasury Management* – investment capacity must be maintained, allowing adverse cash flows to be contained by sufficient revenue budgets and carry forward arrangements. The maintenance of the treasury management reserve will be essential for ongoing financial security.
- *Employee Costs* – pay awards, living wage, equal pay, pensions, national insurance changes, pay and grading reviews all contain uncertainties and potential financial pressures.
- *Policy Developments* – policy development discussions between COSLA (Convention of Scottish Local Authorities) and the Scottish Government are under negotiation on an ongoing basis. The Council must react to these developments ensuring that these are accommodated within service provisions and future financial modelling.
- *Economic Growth & Jobs* – the Council is committed to securing economic growth and jobs. Uncertainty around the Council's ability to attract appropriate levels of investment in infrastructure, economic development and town centres continues to be a key risk.

### **Key Achievements in 2016/17**

During the course of the financial year the Council has, in response to the above challenges, continued to deliver upon its objectives through:

- The successful opening of Lenzie Meadow Primary School, the second school to be delivered through our Primary School Improvement Programme. In addition, the building work for two further primary schools, Thomas Muir in Bishopbriggs and Holy Trinity in Kirkintilloch, has now been completed.
- Completing fifty new shared equity and social rent homes achieved through the housing capital investment plan. The plan also included the purchase of additional sites for further such provision in future years.
- The successful delivery of the new three million pound Bearsden Community Hub providing refurbished library and community hall facilities within this locality.

- Initiating preliminary works to deliver a consolidated early years and community centre facilities within Auchinairn, delivering the Council's 'Place' approach to ongoing community support and intervention.
- The continued commitment to early careers with the Council through main-streaming the Grad+ programme, further supporting the continuation of the Modern Apprenticeship programme.

### Financial Performance for 2016/17

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 25*. The Council reports its financial performance separating its General Fund and Housing Revenue Account as is required by legislation.

All financial outcomes for 2016/17 are analysed in detail within the Annual Accounts, and include the following core principles:

- Maintaining the Prudential Reserve to underpin operational and borrowing activity. The Prudential Reserve of £3m was maintained throughout 2016/17 and has been increased to £3.75m for 2017/18.
- Maintaining the Contingency Reserve to provide improved financial resilience. Further information is contained in **Note 25 Usable Reserves**.
- Maintaining the Treasury Management Reserve to provide stability during delivery of capital programme.
- Funding of all liabilities and commitments by appropriate provisions and earmarking. Further information is contained in **Note 25 Usable Reserves** and **Note 24 Provisions**.
- 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. The General Fund is funded by Government Grants, Fees & Charges, Council Tax income, Non-Domestic Rate income (subject to pooling arrangements) and interest/returns on investments. 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 which 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 with the previous financial year; further analysis of this information included in the ratio analysis.

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

2015/16 £000	Principal Source of Finance	2016/17 £000
50,364	Council Tax & Community Charge	51,302
25,188	Non-Domestic Rate Income	25,550
163,375	General Revenue Grant	159,542
<b>238,927</b>		<b>236,394</b>

Table 1 shows that the General Revenue Grant, provided by the Scottish Government, is the Council's main source of funding. The settlement for 2016/17 was provided on the basis of a single, rather than multi-year settlement. Single year settlements that do not provide certainty regarding future funding levels represent a significant risk for the Council and limits the effectiveness of longer term financial planning.

The level of Council Tax is set by the Council and is the only funding source over which local authorities have control. Since 2008/09 the Scottish Government funding package has included a desired commitment for local authorities to freeze council tax rates. East Dunbartonshire Council agreed to meet this commitment in 2016/17 and additional grant funding was received to enable this commitment to be delivered.

The commitment to the Council Tax freeze restricted the opportunity for local authorities to use council tax income to meet funding gaps, however, Council Tax income is only about 21.7% of the Council's overall funding and so the capacity to vary expenditure by raising council tax income is restricted. The comparable percentage in 2007/08 prior to the council tax freeze was 24.1%. Further details are provided on page 72.

The net income from Non-Domestic Rate income (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 2016/17 was £25.55m (£25.2m in 2015/16). Further details are provided on page 73.

## General Fund Outturn

The 2016/17 General Fund budget included a requirement for the Council to achieve savings of £6.3m. The implementation of service reviews, efficiency initiatives and one-off savings resulted in approximately £4.2m being delivered during the course of the financial year.

Table 2 below shows a net surplus or underspend of £1.984m on the General Fund services. This surplus includes the Council meeting the one-off costs associated with Council's Strategic Operating Model (SOM) back pay, the Council's commitment to equal pay and procurement. This underspend can be attributed to a number of factors including: a drive across services to reduce expenditure, carrying forward £2.096m of commitments into 2017/18 as well as a number of other service variances arising at the year-end. Additional funding of £0.944m was also achieved in year, mainly as a result of additional Council Tax income reflecting an increased council tax base.

**Table 2 – General Fund Revenue Outturn**

Detailed Analysis of Net Service Outturns	Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments for internal reporting purposes	Final Outturn report	Final Budget	Variance
	£'000	£'000	£'000	£'000	£'000
Chief Executive / Joint Boards / Miscellaneous	8,405	0	8,405	7,182	1,223
Depute Chief Exec - Place, Neighbourhood incl Leisure & Culture	5,596	(103)	5,493	5,462	31
Assets & Facilities	12,096	25	12,121	11,240	881
Roads & Transportation	3,544	0	3,544	3,754	(210)
Neighbourhood Services	13,747	(38)	13,709	14,389	(680)
Housing	1,248	0	1,248	1,471	(223)
Land, Planning & Development	1,027	0	1,027	833	194
Place & Community Planning	3,805	(21)	3,784	3,934	(150)
Depute Chief Exec - Education, People & Business	133	0	133	148	(15)
Education	95,963	10,180	106,143	108,427	(2,284)
Finance, Audit & Performance	3,853	(179)	3,674	3,742	(68)
Legal & Democratic Services	2,244	0	2,244	2,511	(267)
Organisational Transformation	2,886	(15)	2,871	1,156	1,715
Customer & Digital Services	7,716		7,716	7,627	89
Adult Social Care	40,454	2	40,456	40,541	(85)
Children & Families	10,826		10,826	11,529	(703)
<b>General Fund Net Expenditure</b>	<b>213,543</b>	<b>9,851</b>	<b>223,394</b>	<b>223,946</b>	<b>(552)</b>
Debt charges			15,979	15,930	49
<b>Total GF Net Expenditure</b>			<b>239,373</b>	<b>239,876</b>	<b>(503)</b>
Government Grants & Council Tax Income			236,394	235,309	1,085
Application of general fund balance			4,963	4,963	0
<b>Net Surplus for Year</b>			<b>1,984</b>	<b>396</b>	<b>1,588</b>
Balance 1 April 2016					(19,694)
Application of general fund balance					10,096
Other Transfers in 2016/17					(5,969)
Net Surplus for Year					(1,984)
<b>Balance 31 March 2017</b>					<b>(17,551)</b>

Internal Reporting adjustments include:

Unitary Charge Payments, transfers to reserves and redundancy costs.

In 2016/17, the Council continued to face significant financial pressures. The most significant of these were the procurement savings and transformational savings that had been identified in the year. The Movement in Reserves Statement shows an overall net decrease in the total General Fund balance of £2.143m for the year, representing the movement in total balances from £19.694m in the prior year to £17.551m at the end of 2016/17. 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 £000	Earmarked Balances £000	Total Balances £000
<b>Balance b/fwd 1 April 2016</b>	<b>(9,597)</b>	<b>(10,097)</b>	<b>(19,694)</b>
Movement in 2016/17:			
Net Increase in Balances 2016/17	(2,107)	(5,846)	(7,953)
Use of Balances 2016/17		10,096	10,096
<b>Balance c/fwd 31 March 2017</b>	<b>(11,704)</b>	<b>(5,847)</b>	<b>(17,551)</b>

During the course of the year uncommitted balances have increased to £11.654m albeit earmarked elements have fallen to £6.009m. The movement in Earmarked General Fund balances of £3.780m is outlined in *Note 25* which reflects those 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 sustain its Contingency Reserve whilst enhancing its Prudential and Treasury Management Reserves. Such action will allow future flexibility, sustain financial resilience and provide a position that seeks to enable the Council to manage these financial risks in the future.

#### **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 as well as financing of £3.017m of capital expenditure (2015/16 £1.749m). The total income generated from council house and homeless rents was approximately £12.891m (2015/16 £12.735m).

The final outturn position for the year was an increase in the surplus of £1.163m against a prior year increase of £0.214m.

Overall, the majority of operational costs showed favourable variances at the year end, as a result of effective financial management applied throughout the year. The closing surplus for the Housing Revenue Account (HRA) is £3.217m (2015/16 £2.054m). 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 on pages 76 to 85 consolidate the Council's Financial Statements, the Common Good and 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 £5.406m, creating an overall net asset of £254.569m. 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 an 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 2016/17

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 £58.049m of capital expenditure being applied; a figure that approximates to 100% of the budget anticipated at the start of the financial year. The most significant capital projects undertaken during the year are highlighted in *Table 4* below.

**Table 4 – Significant Capital Projects**

Details of Projects	£000
Primary School Improvement Programme	19,834
Hub Development	2,799
Roads & Footpaths	7,243
School Refurbishment	1,727
Major Redevelopment projects	13,047
	<b>44,650</b>

Capital expenditure is split between the General Services Capital budget, detailed above, and the Housing Services Capital Budget. Both were approved by Council March 2016, with the General Services Capital Budget being informed by the review of the ten year Capital 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 was mainly due to slippage of some of the planned New Build Projects and also slippage in some of the Energy Efficiency Standard for Social Housing (EESH) projects. A more detailed explanation of the capital variances for both General Fund and Housing capital programmes is presented in the final outturn report 2016/17.

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 £000	Outturn £000	Under / (Overspend) £000	Underspend % Budget
<b>Capital Expenditure</b>				
General Services Note	56,813	58,049	(1,236)	2.2%
HRA Note	14,121	9,679	4,442	(31.5%)
	<b>70,934</b>	<b>67,728</b>	<b>3,206</b>	
<b>Capital Income</b>				
General Services	13,360	13,802	(442)	3.3%
HRA	5,708	8,973	(3,265)	57.2%
	<b>19,068</b>	<b>22,775</b>	<b>(3,707)</b>	
<b>Balance funded from borrowing</b>	<b>51,866</b>	<b>44,953</b>	<b>6,913</b>	13.3%

## 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 £289.343m at 31 March 2017 (2015/16 £256.924m). The outturn capital financing requirement compared to the actual external borrowing is shown in *Table 6* below.

**Table 6 – Capital Financing Requirement**

	2016/17 £000
Actual External Borrowing	167,547
PPP/Finance Lease Liability	86,741
	<b>254,288</b>
Capital Financing Requirement	289,343
<b>Under Borrowed</b>	<b>35,055</b>

Actual external borrowing and long-term liabilities are less than the capital financing requirement by £35.055m (£18.991m 2015/16), indicating that the Council is showing an increased 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, and 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 2016/17 was £290m (2015/16 £256m). The actual level of outstanding long and short-term debt, including long-term liabilities at the year-end totalled £254m (2015/16 £237m). At 31 March 2017, the Council had borrowing of £168m (2015/16 £148m), comprising long-term borrowing of £145m (2015/16 £132m), and short-term borrowing (repayable within 12 months) of £23m (2015/16 £15.7m). The short-term borrowing includes accrued interest on long-term loans of £1.9m (2015/16 £1.9m). The average interest rate for all loans was 4.642% (2015/16 5.19%). The Council paid £7.891m (2015/16 £7.657m) of interest and similar charges on external loans and received £0.179m (2015/16 £0.130m) of interest and investment income.

### f) Balance Sheet as at 31 March 2017

The Balance Sheet (page 28) sets out the total net worth of East Dunbartonshire Council at 31 March 2017. When comparing the net worth of the Council at the date of the last Balance Sheet on 31 March 2016 it can be seen that there has been an overall decrease in the net worth of the authority of £112m in the past 12 months.

**Table 7 – Net Worth**

Movement in Year	£m
Long-term Assets	(13)
Current Assets	(11)
Current Liabilities	(7)
Long-term Liabilities	(81)
<b>Net Movement</b>	<b>(112)</b>

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

- Long-term Assets – Decrease in long term assets due to outcome of revaluation exercise in 2016/17.
- Current Assets – Reduction in current assets due to not holding any short term investments as at 31/03/17 compared with previous year.
- Current Liabilities – Increase due to additional borrowing undertaken during 2016/17.
- Long-term Liabilities – The majority of the increase of £82m relates to pension liabilities.

### g) 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.

**Table 8 – Accounting Ratios**

Accounting Ratio	2016/17 % or £	2015/16 % or £	Explanation
<b>Reserves</b>			
Uncommitted General Fund Reserves as a % of annual budgeted net expenditure	5.0%	4.2%	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	18.2%	24.7%	Reflects continued increase in the uncommitted resources available within the General Fund Balance.
<b>Council Tax</b>			
In-year Collection Rate	96.8%	96.7%	Demonstrates the Council's effectiveness in collection of local taxation.
Council Tax Income as a % of Overall Revenue Funding	21.7%	21.1%	Demonstrates the funds received from Council Tax as a % of overall funding requirement.
<b>Financial Management</b>			
Actual Outturn as a % of Budget	99.6%	97.0%	Demonstrates actual expenditure under budget improving the Council's financial position at the year end.
Actual Contribution to/from Uncommitted General Fund Balance	(£2.699)m	£1.117m	Demonstrates the Council's application of reserves to support Council decisions during the year.
<b>Debt &amp; Borrowing</b>			
Capital Financing Requirement	£289.3m	£256.9m	This is the amount of unfunded capital expenditure.
External Debt Levels	£254.3m	£237.0m	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	10.8%	10.8%	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	18.9%	29.6%	Demonstrates how much of the housing revenue budget is tied up in supporting borrowing

### h) 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 2017, the Council's Pension Fund had a net pension liability of £215.6m (2015/16 £145.9m). 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 2017, which is currently unfunded. 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.

### Future Developments and Financial Planning

The period of public sector austerity, and reduction in the overall level of UK public sector expenditure, is anticipated to extend over the current medium term review period 2016/17 – 2019/20. For Scotland as a whole, the General Revenue Grant and Non Domestic Rates settlements for 2017/18 were lower than anticipated, with the Council's allocation reflecting the worst case scenario within its planning assumptions. This required that the Council address more significant funding gap when setting its budget during March 2017. 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. Future challenges include the potential impact resulting from Brexit, slow growth within the Scottish Economy, funding pressures on high priority budgets outwith Local Government as well as tax policy for Council Tax and Non-Domestic Rates. In addition there is the possibility that 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 the financial plan 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. As a consequence work within the Strategic Planning and Performance Framework continues with ongoing transformation activities and budget reductions being specified to both meet expectations and bridge this gap. This will continue to be a key organisational principle over the next three year planning period.

The £11.5m savings approved for 2017/18 will be challenging to achieve, and will be delivered through themed transformation workstreams including financial management, procurement, service resource management, service redesign and efficiency, and employee cost review. The 2017/18 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 – 2017-18 Budget Allocations**

Department	2017/18 Budget £000
Depute Chief Executive - E, P & B	136
Education	107,880
Integration of Health and Social Care	50,472
Organisational Transformation	3,203
Finance, Audit & Performance	3,477
Customer & Digital	7,128
Legal & Democratic	2,483
Depute Chief Executive - P, N & CA	5,024
Roads & Transportation	3,537
Neighbourhood Services	14,325
General Fund Housing	1,417
Assets & Facilities	10,993
Land & Planning	753
Place & Community	3,832
Chief Executive/Miscellaneous/Joint Boards	8,485
Debt Charges	15,423
	<b>238,569</b>

Despite the above challenges, the Council continues to invest significantly in new build and asset improvement projects. Over £50m has been invested in such activities during 2016/17, which has seen the completion of the new Lenzie Meadow Primary School, Bearsden Community Hub and a refurbishment and extension to Kilmardiny House. Looking forward, 2017/18 will see the delivery of the new Thomas Muir and Holy Trinity Primary Schools, Huntershill Sports Facility, a refurbished and extended Kirkintilloch Town Hall, refurbished Bishopbriggs War Memorial Hall, Bishopbriggs Community Hub and Phase 4 of the Bishopbriggs Relief Road. In addition, 2017/18 will see work commence on the new St Andrew's/St Joseph's Primary School and a new community centre for

Auchinairn in addition to the delivery of the first phase of school pitch upgrades. Design work will also commence on the new Allander Leisure Centre. During the next 10 years the Council intends to invest a further £200m in asset and infrastructure related projects.

In June 2015 the Accounts Commission published *East Dunbartonshire Council: the Audit of Best Value and Community Planning*. The Accounts Commission requested that Audit Scotland follow up on their findings and report back within 18 months. A follow up report was presented to Council in December 2016, with this being considered by Council in March 2017. The Council has prepared a response consistent with the previous action plan to manage these risks and continues to work to demonstrate improvements and Best Value. The Commission will continue its interest in the council and require the Controller of Audit to update them by the end of 2017 through the annual audit and in their revised approach to auditing Best Value.

The Public Bodies (Joint Working) (Scotland) Bill was introduced in the Scottish Parliament in May 2013 and received Royal Assent on 1 April 2014. The Act requires NHS Health Boards and Local Authorities (LAs) to integrate strategic planning and service provision arrangements for Adult Health and Social Care Services (as a minimum required by law) within new Health and Social Care Partnerships (HSCPs). The East Dunbartonshire Health and Social Care Partnership (HSCP) went live for Adult Services on 3 September 2015. As part of the 2016/17 budget process, the Council approved the incorporation of Children's Social Work and Adult Criminal Justice services within the scope of the HSCP from August 2016; this has been progressed during 2016/17 with the Council's General Fund Revenue Reporting reflecting these changes. The Council will continue to work in partnership to ensure the success of the HSCP in the delivery of integrated services to the people of East Dunbartonshire.

## Other Significant Information

### i) Sickness Absence

The average number of working days per employee lost through sickness absence for teachers was 5.3 days (2015/16 6.40 days). For all other local government employees the average was 11.8 days (2015/16 11.65 days). Please note this year's figures include all temporary staff due to reporting change requirements from Improvement Service guidelines and comparisons are not like for like.

### j) Personal Data Incidents

The Council had no recognised data protection breach during 2016/17.

### k) Register of Interests

A Register of Interests for each Councillor is available on the Council's website: [Home Page / All you need to know about - Council / Committees and Councillors / Councillors](#) and is also available for public inspection at the Council's headquarters: 12 Strathkelvin Place, Kirkintilloch G66 1TJ.

### l) Sustainability

East Dunbartonshire Council is committed to ensuring that actions taken today do not limit the quality of life in the future; this involves considering the outcomes of our actions in terms of social, economic and environmental wellbeing, and encouraging joined-up approaches that deliver benefits on all fronts, i.e. that 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 the likely environmental effects of Council policies, plans, programmes and strategies.

Climate change reporting is another statutory requirement, and was introduced during 2016/17. The Council's submission to the Scottish Government is available on the Council's website at <https://www.eastdunbarton.gov.uk/residents/planning/planning-policy/climate-change>

During 2016/17, the Council also produced its first Carbon Management Plan Annual Report, which can be found on the above webpage. Three key documents were also finalised during the year: the Sustainability and Climate Change Framework, the updated Local Biodiversity Action Plan and the Green Network Strategy.

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

.....  
**Councillor Gordan Low**

**Leader of the Council**

26 September 2017

.....  
**Gerry Cornes**

**Chief Executive**

26 September 2017

.....  
**Jamie Robertson CPFA**

**Chief Finance Officer**

26 September 2017

## 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 make arrangements 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.

In the prior year the Council approved and introduced 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 impact 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 Single Outcome Agreement (SOA) to its strategic and local outcomes and priorities.

The SOA sets out the outcomes that all Community Planning partners want to achieve with the people of East Dunbartonshire. It acts as the core plan for everything we do and is, in essence, the delivery plan for community planning in East Dunbartonshire. The Single Outcome Agreement 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.

The Council's SOA covers a rolling 3 year period with the current iteration covering the period 2015-18. 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 SOA 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 which impact on 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.

During the course of the year the Council continued its governance and scrutiny arrangements as part of the Strategic Planning & Performance Framework. These activities include how the Council aims to deliver on its SOA objectives with work being supported by two Scrutiny Panels covering 'Transformation, Economy & Employment' and 'Transformation & Community Well-being'. There is a well-established cycle of meetings, with scrutiny being initiated by the Policy & Resources Committee through the Audit & Risk Management Sub-Committee and to the

relevant Scrutiny Panel. During the course of the year a number of topics have been reviewed by Scrutiny Panels including Transformation, Performance, Capital Programming, Service Delivery Options & Internal Shared Services.

The scale and scope of the Transformation Plan is such that the specialist activities of the Programme Management Office (PMO) continue to be applied. The remit of the PMO is to enhance project and programme governance through the application of Prince2 project management techniques. Such techniques ensure consistency and good practice within Transformation Projects, maximise the chances of project success and ensure the realisation of benefits. Scrutiny of PMO activities is provided through the Transformation Programme Board, a regular cycle of PMO update reports to the Policy & Resources Committee, the Audit & Risk Management Sub-Committee and the Scrutiny Panels.

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 SOA objectives. The Council monitors its outcomes through long and short term indicators with designated officers providing a consistent line of target setting from Council Directorate Business Improvement Plans (BIPs), progress monitoring via How Good is Our Service (HGIOS) and Annual Performance Reports to the six monthly meetings of the Community Planning Board, Council, the Policy and Resources and Service Committees.

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 also initiated a public consultation on the range of performance information made available to our stakeholders. The public consultation was also an area of betterment activity previously identified by Audit Scotland as part of their scrutiny work; their previous assessment had reported that the Council had *'a well-structured approach to PPR, with detailed information for each major Directorate presented clearly and consistently'* with areas of best practice being highlighted within our use of comparative information as well as financial and other cost information.

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

The Council provides a clear statement of roles and responsibilities through its Administrative Scheme. This is 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.

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. But 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 their 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.

During 2016/17 the Council continued to develop its counter-fraud activities. The National Fraud Authority's "Fighting Fraud Locally" Strategy continues to provide guidance with the prior year Corporate Fraud & Corruption



Policy being supplemented to include Corporate Anti-Bribery Policy; 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. This work has been supported by the in-year implementation of internal data matching to improve the identification of areas of risk or error.

#### **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.

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. The outputs of these activities will support workforce planning, managing succession, 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.

Aligned to the Single Outcome Agreement and in response to the financial context the Council has developed its Workforce Strategy which is essential to the development of the Council to meet current and future challenges. The Strategy underpins the Transformation Programme in realising efficiencies and achieving cultural change, it is integral to the Council's Strategic Planning and Performance Framework to enable a continuing approach to integrated resource management. The Workforce Strategy continues to be kept under review and presented to Elected Members for Scrutiny; the most recent iteration being for the period 2015-18. During the course of the year the Strategy update report has been enhanced to include a consolidated improvement plan that gives consideration to success measures, timescales and progress updates.

The Workforce Strategy is designed to encompass the complexity of the 'People' agenda based on current and future priorities. It is a key enabler in supporting the achievement of improving service delivery, structures, systems and overall performance through people and support of Best Value. Additionally, it recognises the needs and motivational aspirations of employees in order to achieve maximum performance and improved levels of employee satisfaction.

Learning & Development is key to ensuring that our workforce skills are aligned to organisational need and our transformation. 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, overview of Corporate Procurement and Health & Safety responsibilities. Corporate Induction also includes a welcome from a member of the Corporate Management Team who provides an overview of our strategic plan, current and anticipated priorities and Council performance.

Access to up to date courses, information and briefings are made available through the Team Leadership Conference, Leadership Information Packs, the People Development Calendar and the online Leadership Community. The Council has a well established internal communication process which is utilised to highlight new legislation, changes to working practices and associated learning opportunities.

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

The Council sets out its processes and controls to be vigorous 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.

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 SOA objectives, transformational activities and co-ordinating activities for the Scrutiny Panels. In the period since the reshaping of the

Scrutiny Panels Members have provided oversight of key areas such as the Council Performance, Capital Planning, Service Delivery Models, Internal Shared Services and the Health & Social Care Partnership.

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

The Council seeks to exercise leadership through its scrutiny activities which effectively engage 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 the Local Government in Scotland Act 2003. 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 Single Outcome Agreement.
- Review performance in implementation of the Single Outcome Agreement.
- 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 engages 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 has built on the wide coverage of this comprehensive Stakeholder Engagement Programme with the recent consultation undertaken as part of the 'Your Services, Your Choices' budget consultation. In addition the Council continues to engage with its communities and Community Planning Partners including those within Hillhead, Lennoxton and Auchinairn with the aim of working together better to regenerate these areas.

The Council is currently working with Community Planning Partners over the development of a Partnership Engagement Strategy which will set out core criteria for engaging with local people and communities over the design of local public services. The Strategy will incorporate the requirements of the Scottish Government's Community Empowerment (Scotland) Act 2015.

On the 1st April 2014 the Public Bodies (Joint Working) (Scotland) Act received Royal Assent. The introduction of this legislation placed a joint duty on the Council and the Health Board to establish 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 services in East Dunbartonshire to a separate legal body, known as East Dunbartonshire Integration Joint Board (IJB). The delegated services include adult social care and children's services. East Dunbartonshire Council delegated the relevant portion of the council budget to the IJB who in turn directed East Dunbartonshire Council to provide a range of specified council services.

During the course of the year the Council's Internal Audit team considered the financial governance & assurance arrangements as they relate to the Integrated Joint Board and subsequently the Health & Social Care Partnership. Governance and strategy documents were presented to the Partnership Board during the course of the year with the Council's Audit & Risk Manager providing Internal Audit services to the IJB. 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.

Given the scale of the services for which planning and commissioning is now delegated to the IJB, assurances have been received from the IJB that they have an adequate and effective system of internal control in place, and assurances have been received on the financial information provided to East Dunbartonshire Council for inclusion in the annual accounts. Similar assurances have been provided by East Dunbartonshire Council to the IJB on these matters.

#### **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 Directors within the Council who have responsibility for the development and maintenance of the governance

environment, the Audit & Risk Manager's Annual Report, and also by comments made by the external auditors and other review agencies and inspectorates.

During 2016/17, 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, Directors have a responsibility to ensure that their own governance arrangements are adequate and operating effectively. In line with the CIPFA/SOLACE Framework, each Director is required to make an annual statement confirming that this is the case. For 2016/17 these Director disclosures do not identify any significant governance issues that require to be reported.

On the basis of Internal Audit work completed in 2016/17, 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 to further improve controls with action plans developed with management to address the risks identified.

The level of assurance provided by the Audit & Risk 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 'Review of the Internal Controls Systems', 'Report to those Charged with Governance' and the 'Annual Report on the 2015/16 Audit'.

Additionally, the Audit Scotland interim audit report for 2016/17 reported on the following key issues: controls on supplier details; recording of reconciliations; system access controls on the council tax system; payroll verification and exception reports; recording of line manager access to HR systems; improved financial reporting; and the report of the Information Commissioner's Office (ICO) as reported above. All Council actions to address these issues will be reviewed by Internal Audit, with a specific piece of work being undergone to address the outcomes of the ICO report.

Our opinion also considers the work of Audit Scotland's Best Value Team, their Targeted Best Value Audit work, the Council's response and evidencing improvements. These reports continue to highlight risks faced by the Council and where appropriate action plans have been developed to mitigate these.

#### **h) Governance Improvement Plans**

The system of governance (including the system of internal control) provides reasonable assurance that assets are safeguarded; that transactions are authorised and properly recorded; that material errors or irregularities are either prevented or would be detected within a timely period; and that significant risks impacting on the achievement of 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.

*Data Protection* - In January 2016 the Council agreed to an audit by the Information Commissioner's Office (ICO) relating to the processing of personal data. The final report was issued to the Council in November 2016. This report gave limited assurance, with the main areas of concern being governance, records management, and subject access requests. A comprehensive action plan has been agreed by the Council's Information and Records Manager with the Council monitoring its implementation through the future cycle of meetings.

*Internal Audit Work* - Following the completion of their Annual Audit Plan for 2016-17 the main areas that Internal Audit Team highlighted as requiring further improvement were roads maintenance, and the use of SEEMIS, which were reported in the previous year. Auditors continue to review compliance with the agreed actions as part of an established six monthly cycle with our most recent annual report continuing to track improved levels of compliance.

**Audit Scotland** – The council has worked to respond to the concerns expressed in previous Best Value reports with the follow up report in December 2016 reflecting better prioritisation of improvement projects and some stronger aspects of workforce planning. The report also highlighted improvements in the scrutiny of performance by elected members. However, there is still further work to do on transformation, and Audit Scotland state this is evidenced by failure to meet targets and lack of clarity about the savings that have to be achieved. The Programme Management Office is responsible for co-ordination transformation programmes, and needs to ensure actions are taken with visible results. The Council has prepared a response consistent with the previous action plan to manage these risks and continues to work to demonstrate improvements and Best Value.

**Public Performance Reporting** - The Council has performed well with respect to Public Performance Reporting and, having been previously assessed by Audit Scotland, has tracked steady improvements year on year. The Council has been previously cited as demonstrating best practice with respect to its public reporting of finance and cost information and, in addition, is highlighted as performing within the upper quartile in a number of key areas. As part of ongoing improvement actions the Council's performance team has previously carried out a public consultation in an effort to improve the content of our reports with this information is being used to shape future publications.

**Audit & Risk Sub-Committee** – In April 2016 it was agreed that the governance status of the Audit & Risk Management Sub-Committee would be changed from a Sub-Committee to a full Strategic Service Committee, to be chaired by Opposition Group Leader. An updated Terms of Reference was agreed and the cycle of meetings aligned to the six meeting cycle. Such developments reflect the increased significance and profile of audit and scrutiny within the Council.

**Scrutiny Panels** - During May 2014 the Council changed the structure and reporting of its Scrutiny Panels with additional consideration and direction being provided by the Audit & Risk Management Sub-Committee. The Council's Targeted Best Value Report highlighted that these changes were a positive step but they are not yet working effectively. 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. Members of Scrutiny Panels provided oversight of a range of strategic areas including housing, procurement, social work payments, internal shared services and transformation. The proposed developments mentioned last year have been implemented by enhanced reporting of actions to clearly demonstrate the positive impact made by the Scrutiny Panels.

**Workforce Planning** – As reported previously, the Council's Workforce Strategy is a supporting pillar of the Council's transformation programme and governance and scrutiny of this strategy is provided through ongoing reporting to the Policy & Resources Committee. The most recent update was for the first 6 months of the year and outlined the requirement for further review of commitments relating to leadership and the Corporate & Senior Management Team, taking account of structural changes approved by Council in May 2016. Although the programme has been reshaped and realigned, there has still been progression with specific workstreams, aligned to the Transformation Programme, including the review of Pay & Grading and the Equality Impact Assessment being incorporated with the review of Terms & Conditions; future phases of Mobile Working Technology commencing in November 2016 and the completion of the Job Evaluation Process. There have also been additions to the strategy action plan including the continued development of the Council's e-learning strategy; development of the Council's Wellbeing Strategy; internal and external provision of the Customer Service Professional Qualification and the review of Recruitment & Selection Policy. The current Action Plan and timeframe for 2015-18 is being revised in light of the financial challenges faced and as recommended within Audit Scotland feedback, and will be presented to (new) Council for consideration in June 2017.

### **i) Conclusion**

We consider the governance and internal control environment operating during 2016/17 to provide reasonable and objective assurance that significant risks impacting on 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 further enhance these arrangements.

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.

.....  
**Councillor Gordan Low**

**Leader of the Council**

26 September 2017

[www.eastdunbarton.gov.uk](http://www.eastdunbarton.gov.uk)

.....  
**Gerry Cornes**

**Chief Executive**

26 September 2017

## 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 and Risk Management Committee at its meeting on 26 September 2017.

Signed on behalf of East Dunbartonshire Council

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**Councillor Gordan Low**

**Leader of the Council**

### 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 2016/17 (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 2017.

.....

**Jamie Robertson CPFA**

**Chief Finance Officer**

Date: 26 September 2017

## 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 2016/17 the salary for the Leader of East Dunbartonshire Council as set out in the Regulations was £33,789 (2015/16 £33,454). The Regulations permit the Council to remunerate one Provost and set out the maximum salary that may be paid to the Provost which for 2016/17 was £25,341 (2015/16 £25,090).

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 £232,291 for 2016/17 (2015/16 £229,991) and the maximum number of Senior Councillors is 11. 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) at the Special Council meeting on 21 January 2016, although changes to remuneration were not approved until Council of 21 April 2016. The figures in the remuneration and pension tables are based on the April date or, for the Vice Convener of Audit & Risk Management, 1 August 2016. Councillors Ghai, Gotts and Moody voluntarily reimbursed the additional Senior Councillor remuneration they received following the change of positions on 21 January over the course of 2016/17. The incumbents at 31 March 2017 were:

Leader of the Council, Convener of Policy and Resources	R Geekie
Provost	U Walker
Depute Leader, Convener of Planning Board, Vice Convener of Policy and Resources and of Development and Regeneration	W Hendry
Depute Provost	A Jarvis
Convener of Development and Regeneration	A Moir
Convener of Education	M Henry
Convener of Neighbourhood Services	S MacDonald
Convener of Licensing Board, Vice Convener of Neighbourhood Services	J Dempsey
Vice Convener of Education	M Shergill
Vice Convener of Social Work	G Welsh
Leader of Main Opposition Group, Convener of Audit & Risk Management Committee	I Mackay
Leader of Minority Opposition Group	A Ghai
Vice Convener of Audit & Risk Management Committee	G Low

The Convener of Social Work is also the Council's 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 M O'Donnell at 31 March 2017.

Excluding the Leader of the Council and the Provost, the additional remuneration paid to these Senior Councillors in 2016/17 totalled £204,518 (2015/16 £228,065).

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

<i>Total</i> 2015/16		Office held as at 31 March 2017	Salary and Allowances	Taxable Expenses	<i>Total</i> 2016/17	Annualised Salary
£			£	£	£	£
<b>33,545</b>	R Geekie	Leader of the Council	33,784		<b>33,784</b>	33,789
<b>25,527</b>	U Walker	Provost	25,337	182	<b>25,519</b>	25,341
<b>21,382</b>	W Hendry	Depute Leader	25,254		<b>25,254</b>	25,341
<b>21,521</b>	A Jarvis	Depute Provost	21,534	40	<b>21,574</b>	21,537
<b>18,831</b>	M Henry	Convener	21,478		<b>21,478</b>	21,537
<b>18,831</b>	S MacDonald	Convener	21,478		<b>21,478</b>	21,537
<b>21,382</b>	A Moir	Convener	21,534		<b>21,534</b>	21,537
<b>20,747</b>	J Dempsey	Convener	20,820		<b>20,820</b>	20,823
<i>n/a</i>	G Low	Vice Convener	18,272		<b>18,272</b>	18,968
<b>18,831</b>	M Shergill	Vice Convener	18,965		<b>18,965</b>	18,968
<i>n/a</i>	G Welsh	Vice Convener	18,920		<b>18,920</b>	18,968
<b>21,382</b>	I Mackay	Opposition Group Leader	21,534		<b>21,534</b>	21,537
<b>25,158</b>	A Ghai	Opposition Group Leader	17,754		<b>17,754</b>	18,968
<b>247,137</b>	<b>Total</b>		<b>286,664</b>	<b>222</b>	<b>286,886</b>	<b>288,851</b>

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:

2015/16		2016/17
£		£
471,256	Salaries – Council Duties	471,179
0	Salaries – Joint Board Duties	0
26,827	Expenses	29,830
<b>498,083</b>	<b>Total</b>	<b>501,009</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.

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

Councillors' pension benefits are 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 65.

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 1/49<sup>th</sup> 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.

Office		Pension Contributions		Accrued Pension Benefits			
		Year to 31 March 2017	Year to 31 March 2016	As at 31 March 2017		As at 31 March 2016	
		£	£	£000	£000	£000	£000
R Geekie	Leader of the Council	6,520	6,474	6	3	6	3
U Walker	Provost	4,890	4,856	4	2	4	1
A Jarvis	Depute Provost	4,156	4,127	7	13	7	12
M Henry	Convener	4,145	3,634	2	0	1	0
S MacDonald	Convener	4,145	3,634	3	1	3	1
A Moir	Convener	4,156	4,127	3	0	2	0
G Low	Vice Convener	3,526	n/a	3	1	n/a	n/a
M Shergill	Vice Convener	3,660	3,634	2	0	1	0
G Welsh	Vice Convener	3,652	n/a	1	0	n/a	n/a
I Mackay	Opposition Group Leader	4,156	4,127	2	0	1	0
A Ghai	Opposition Group Leader	3,427	4,856	3	0	2	0
<b>Total</b>		<b>46,433</b>	<b>39,469</b>	<b>36</b>	<b>20</b>	<b>27</b>	<b>17</b>

Note: Membership of the pension scheme is not compulsory

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. Councillor Hendry is the CoSLA spokesperson for the Employer's Organisation team which is responsible for terms and conditions. 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 2 grades of senior employees. The new Strategic Leads have been subject to a pay and grading review which will take effect from 1 July 2017. This is not reflected in the 2016/17 figures. The Depute Chief Executives (Education, People and Business and Place, Neighbourhood and 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 role of Chief Officer – East Dunbartonshire Health and Social Care Partnership was not included in this review 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 2016 Scottish Parliament Election and European Referendum are included in the 2016/17 figures and for the 2015 General Election in the 2015/16 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 overleaf 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)
- Director of Education and Children's Services (ECS) – to 31 July 2016
- Director of Finance and Shared Services (FSS) [Chief Finance Officer (Section 95 Officer)] – to 31 July 2016
- Director of Neighbourhood Services (NS) – to 31 July 2016

## Other Chief Officials

- Strategic Lead - Education, Chief Education Officer
- Strategic Lead – Social Work, Chief Social Work Officer [Chief Social Work Officer]
- Strategic Lead – Finance, Audit & Performance, Chief Finance Officer [Section 95 Officer] from 1 August 2016
- Strategic Lead - Legal & Democratic Services [Monitoring Officer]

## Remuneration of Senior Employees

2015/16 Total Remun.			2016/17 Salary, Fees & Allow's	Taxable Exp's	Compensation for Loss of Employment	2016/17 Total Remun.	Annual Salary
£			£	£	£	£	£
126,500	G Cornes	Chief Executive	128,159			128,159	124,659
99,759	A Davie	Depute CE, EPB	102,444			102,444	100,463
99,759	T Glen	Depute CE, PNCA	100,444			100,444	100,463
91,474	G Currie	Director of ECS	*1 31,716	8	93,045	124,769	91,479
100,006	I Black	Director of FSS	*1 36,415		141,155	177,570	100,463
92,616	G Irvine	Director of NS	*1 33,737		85,372	119,109	93,269
83,026	J MacDonald	Chief Education Officer	84,276			84,276	84,292
NA	P Mazzoncini	Chief Social Work Officer	*2 70,527			70,527	80,697
33,069	K Gardner	Acting Chief Social Work Officer	*3 9,934			9,934	80,697
NA	J Robertson	Chief Financial Officer	*4 49,506			49,506	64,382
NA	K Donnelly	Monitoring Officer	*5 53,061			53,061	64,382
<b>726,209</b>	<b>Totals</b>		<b>700,219</b>	<b>8</b>	<b>319,572</b>	<b>1,019,799</b>	<b>985,246</b>

\*1 To 31 July 2016 \*2 From 16 May 2016 \*3 To 15 May 2016 \*4 From 1 August 2016 \*5 From 6 June 2016.

As well as salary, fees and allowances, taxable expenses and compensation for loss of employment, East Dunbartonshire Council is also required to report the amount received by the senior employees above in respect of other remuneration, bonuses and non-cash benefits. None received these types of remuneration in 2016/17.

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 Director of Education and Children's Services, Gordon Currie, was a member of the Scottish Teachers' Superannuation Scheme which also became a career average salary pension scheme from 1 April 2015 but it has a different contribution rate.

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 2017	Year to 31 March 2016	As at 31 March 2017		As at 31 March 2016	
				Pension	Lump Sum	Pension	Lump Sum
		£	£	£	£	£	£
G Cornes	Chief Executive	24,445	24,415	55	111	52	110
A Davie	Depute Chief Exec, EPB	19,386	19,254	17	9	15	9
T Glen	Depute Chief Exec, PNCA	19,386	19,254	38	0	36	0
G Currie	Director of ECS	5,110	14,853	33	212	40	121
I Black	Director of FSS	6,478	19,253	42	87	41	87
G Irvine	Director of NS	95,865	17,875	38	184	37	77
J MacDonald	Chief Education Officer	16,265	16,154	35	70	33	69
P Mazzoncini	Chief Social Work Officer	13,654	n/a	n/a	n/a	n/a	n/a
K Gardner	Acting Chief Social Work	1,917	6,382	27	53	32	66
J Robertson	Chief Financial Officer	9,493	n/a	14	16	n/a	n/a
K Donnelly	Monitoring Officer	10,179	n/a	n/a	n/a	n/a	n/a
<b>Total</b>		<b>222,178</b>	<b>137,440</b>	<b>299</b>	<b>742</b>	<b>286</b>	<b>539</b>

Accrued pension benefits figures are not available for some officers as their membership of the pension scheme has not yet met the 2 year vesting period.

### 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 2016/17 whole time pay are as follows:	Contribution rate
On earnings up to and including £20,500	5.50%
On earnings above £20,500 and up to £25,000	7.25%
On earnings above £25,000 and up to £34,400	8.50%
On earnings above £34,400 and up to £45,800	9.50%
On earnings above £45,800	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 have been restated to include Senior Employees from Table 4 above 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 2015/16 this applies to K Gardner and for 2016/17 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.

Remuneration	No. of Employees	
	2016/17	2015/16 Restated
£50,000 - £54,999	70	78
£55,000 - £59,999	13	17
£60,000 - £64,999	15	2
£65,000 - £69,999	4	6
£70,000 - £74,999	3	4
£75,000 - £79,999	2	4
£80,000 - £84,999	1	0
<b>Total Employees</b>	<b>108</b>	<b>111</b>

### 8. Exit Packages

The table overleaf 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.

	2016/17		2015/16	
	Number	Cost	Number	Cost
		£		£
£0 - £20,000	5	43,142	24	285,869
£20,001 - £40,000	1	26,863	4	134,590
£40,001 - £60,000	0	0	12	588,963
£60,001 - £80,000	1	69,707	7	483,495
£80,001 - £100,000	2	169,717	14	1,270,008
£100,001 - £150,000	7	807,578	25	3,021,275
£150,001 - £200,000	0	0	9	1,530,097
£200,001 - £250,000	1	202,586	2	457,985
£250,001 - £300,000	0	0	2	548,748
£300,001 - £350,000	1	301,594	2	678,036
£350,001 - £400,000	2	726,980	0	0
<b>Total</b>	<b>20</b>	<b>2,348,167</b>	<b>101</b>	<b>8,999,066</b>

### 9. Subsidiary Entities – Remuneration and Pension Entitlement

The Council includes 2 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.

	2016/17			2015/16	
	Salary, Fees & Allowances	Expenses	Other Remuneration	Total Remuneration	Total Remuneration
	£	£	£	£	£
M Grant - General Manager	67,870	0	0	67,870	68,309

	Pension Contributions		Accrued Pension Benefits			
	Year to 31 March 2017	Year to 31 March 2016	As at 31 March 2017		As at 31 March 2016	
	£	£	Pension	Lump Sum	Pension	Lump Sum
	£	£	£	£	£	£
M Grant - General Manager	10,542	10,464	22	44	21	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 has been audited by Audit Scotland. The other sections of the report were reviewed by Audit Scotland to ensure they are consistent with the financial statements.

.....  
**Councillor Gordan Low**

**Leader of the Council**

26 September 2017

.....  
**Gerry Cornes**

**Chief Executive**

26 September 2017

## Principal Financial Statements of Single Entity

The Annual Accounts summarise the Council's transactions for the year, its year end position at 31 March 2017 and its cash flows. The Annual Accounts are prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* (the Code), which is based on International Financial Reporting Standards (IFRSs). Every effort has been made to use plain language, and 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 26 to 75)
- **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 76 to 85)

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" (ie 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 which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

**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

2015/16 Restated			2016/17			
Gross Expend.	Gross Income	Net Expend. or (Income)	Gross Expend.	Gross Income	Net Expend. or (Income)	Notes
£000	£000	£000	£000	£000	£000	
9,707	(175)	9,532	7,117	(153)	6,964	
6,864	(233)	6,631	8,573	(103)	8,470	
28,939	(11,230)	17,709	26,641	(10,299)	16,342	
10,060	(2,100)	7,960	9,185	(2,168)	7,017	
18,081	(1,957)	16,124	17,829	(1,974)	15,855	
4,227	(2,388)	1,839	3,991	(2,720)	1,271	
1,751	(960)	791	1,931	(848)	1,083	
5,389	(470)	4,919	4,887	(589)	4,298	
181	(160)	21	137	0	137	
107,702	(3,250)	104,452	134,742	(3,546)	131,196	
23,900	(19,970)	3,930	23,554	(19,584)	3,970	
3,098	(702)	2,396	3,323	(834)	2,489	
2,969	(165)	2,804	3,352	(366)	2,986	
8,821	(940)	7,881	10,303	(1,110)	9,193	
55,769	(13,044)	42,725	56,336	(15,031)	41,305	
12,323	(1,073)	11,250	12,197	(1,073)	11,124	
16,687	(13,211)	3,476	16,150	(13,393)	2,757	
(10,044)	10,044	0	0	0	0	
<b>306,424</b>	<b>(61,984)</b>	<b>244,440</b>	<b>340,248</b>	<b>(73,791)</b>	<b>266,457</b>	EFA
	(230)				(353)	
	<b>(230)</b>				<b>(353)</b>	
	15,475				15,179	
	6,354				5,141	33
	(130)				(80)	17
	<b>21,699</b>				<b>20,240</b>	
	(50,364)				(51,302)	28
	(25,188)				(25,550)	28
	(163,375)				(159,542)	28
	(19,533)				(14,467)	28
	<b>(258,460)</b>				<b>(250,861)</b>	
	<b>7,449</b>				<b>35,483</b>	7
	816				13,861	26
	(62,387)				62,601	33
	<b>(61,571)</b>				<b>76,462</b>	
	<b>(54,122)</b>				<b>111,945</b>	

\*Depute Chief Executive – Place, Neighbourhood and Corporate Assets. Includes Leisure & Culture

^Depute Chief Executive – Education, People and Business

2015/16 CIES restated in accordance with changes to organisational structure and in line with external reporting requirements.

In 2016/17, the East Dunbartonshire Health and Social Care Partnership managed services worth £63.363m on behalf of the Council (2015/16 part year £24.661m).

## 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 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>
<b>Balance at 31 March 2015</b>	<b>12,558</b>	<b>1,840</b>	<b>12,147</b>	<b>1,622</b>	<b>28,167</b>	<b>278,819</b>	<b>306,986</b>
<b>Movement in reserves during 2015/16:</b>							
<b>Total Comprehensive Income and (Expenditure)</b>	<b>(5,192)</b>	<b>(2,257)</b>	<b>0</b>	<b>0</b>	<b>(7,449)</b>	<b>61,571</b>	<b>54,122</b>
Adjustments between accounting basis and funding basis under regulations ( <b>Note 8</b> )	7,898	2,564	(1,051)	(1,590)	7,821	(7,821)	0
Transfers to and from Other Statutory Reserves ( <b>Note 9</b> )	4,430	(93)	(4,947)	610	0	0	0
<b>Increase or (Decrease) in 2015/16</b>	<b>7,136</b>	<b>214</b>	<b>(5,998)</b>	<b>(980)</b>	<b>372</b>	<b>53,750</b>	<b>54,122</b>
<b>Balance at 31 March 2016 carried forward</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>

## Balance Sheet

31 March 2016	31 March 2017
£000	£000 Notes
740,071 Property, Plant and Equipment	728,327 10
3,204 Heritage Assets	3,204 11
1,414 Intangible Assets	973 12
25 Long-term Debtors	21 20
<b>744,714 Long-term Assets</b>	<b>732,525</b>
908 Current Intangible Assets	626 22
22,000 Short-term Investments	0
1,266 Assets Held for Sale	3,276 13
585 Inventories	550 19
15,267 Short-term Debtors	20,168 20
1,773 Cash and Cash Equivalents	6,400 21
<b>41,799 Current Assets</b>	<b>31,020</b>
(15,733) Short-term Borrowing	(22,610) 17
(38,247) Short-term Creditors	(38,047) 23
(2,495) Provisions	(3,610) 24
(271) Short-term Grants/Contns Receipts in Advance	(6) 23
<b>(56,746) Current Liabilities</b>	<b>(64,273)</b>
(132,237) Long-term Borrowing	(144,936) 17
(86,741) Other Long-term Liabilities (PPP contract)	(84,369) 16
(145,904) Other Long-term Liabilities (Pensions)	(215,630) 33
(362) Provisions	(361) 24
(3,415) Long-term Grants/Contns Receipts in Advance	(4,813) 23
<b>(368,659) Long-term Liabilities</b>	<b>(450,109)</b>
<b>361,108 Net Assets</b>	<b>249,163</b>
28,539 Usable Reserves	28,668 25
332,569 Unusable Reserves	220,495 26
<b>361,108 Total Reserves</b>	<b>249,163</b>

The audited annual accounts were issued on 26 September 2017.

I certify that this Balance Sheet presents a true and fair view of the financial position of the Council at 31 March 2017, and its income and expenditure for the year ended 31 March 2017.

.....

**Jamie Robertson CPFA**

**Chief Finance Officer**

26 September 2017

## Cash Flow Statement

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

2015/16 Restated £000		2016/17		Notes
		£000	£000	
<b>7,449</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>		<b>35,483</b>	<b>CIES</b>
	<b>Adjust for Non-Cash Movements</b>			
(29,188)	Depreciation and Impairment	(28,304)		
(4,466)	Revaluations	(28,690)		
(712)	Amortisation	(721)		
(945)	(Increase)/Decrease in Impairment for Bad Debts	98		
1,693	Increase/(Decrease) in Debtors	4,615		
(4,290)	(Increase)/Decrease in Creditors	652		
(219)	Increase/(Decrease) in Inventories	(35)		
(13,079)	Movement in Pension Liability	(7,124)		
(2,176)	Carrying Amount of Non-Current Assets Sold	(4,207)		
2,862	Other Non-Cash Transactions	(784)		
<b>(50,520)</b>			<b>(64,500)</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	0		
1,564	Proceeds from Sale of PPE and Intangible Assets	2,799		
19,533	Other Financing and Investment Activities	14,467		
<b>21,097</b>			<b>17,266</b>	
<b>(21,974)</b>	<b>Net Cash Flows from Operating Activities</b>		<b>(11,751)</b>	
	<b>Investing Activities</b>			
43,506	Purchase of PPE and Intangible Assets	62,482		
4,000	Purchase of Short-term and Long-term Investments	0		
0	Other Payments for Investing Activities	0		
(2,335)	Sale of PPE and Intangible Assets	(2,558)		
0	Sale of Short-term and Long-term Investments	(22,000)		
(22,538)	Other Receipts from Investing Activities	(13,899)		
<b>22,633</b>			<b>24,025</b>	
	<b>Financing Activities</b>			
(14,426)	Cash Receipts from Short-term and Long-term Borrowing	(43,625)		
0	Other Receipts from Financing Activities	0		
2,660	Reducing Liabilities on Finance Leases and PPP	2,676		
21,248	Repayment of Short-term and Long-term Borrowing	23,791		
0	Other Payments for Financing Activities	257		
<b>9,482</b>			<b>(16,901)</b>	
<b>10,141</b>	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>		<b>(4,627)</b>	
(11,914)	Cash and Cash Equivalents at 1 April		(1,773)	
<b>(1,773)</b>	<b>Cash and Cash Equivalents at 31 March</b>		<b>(6,400)</b>	<b>21</b>
<b>31 March 2016</b>	<b>Cash and Cash Equivalents</b>		<b>31 March 2017</b>	
<b>£000</b>			<b>£000</b>	
(39)	Cash Held by Officers	(17)		
5,008	Bank Current Accounts	3,485		
(6,742)	Short-term Deposits (Temporary Investments)	(9,868)		
<b>(1,773)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(6,400)</b>		<b>21</b>
<b>2015/16</b>	<b>Cash Flow Statement: Interest Paid and Received</b>		<b>2016/17</b>	
<b>£000</b>			<b>£000</b>	
(130)	Interest Received	(80)		<b>CIES</b>
15,475	Interest Paid	15,179		<b>CIES</b>



## Notes to the Principal Financial Statements

### 1. Expenditure and Funding Analysis

The Expenditure and Funding Analysis (EFA) shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also 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.

2015/16			2016/17		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments between the Funding and Accounting Basis	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	Net Expenditure in the Comprehensive Income and Expenditure Statement
£000	£000	£000	£000	£000	£000
10,868	1,336	9,532	8,405	1,441	6,964
5,539	(1,092)	6,631	5,596	(2,874)	8,470
11,714	(5,995)	17,709	12,096	(4,246)	16,342
3,694	(4,266)	7,960	3,544	(3,473)	7,017
14,062	(2,062)	16,124	13,747	(2,108)	15,855
1,444	(395)	1,839	1,248	(23)	1,271
500	(291)	791	1,027	(56)	1,083
3,886	(1,033)	4,919	3,805	(493)	4,298
(23)	(44)	21	133	(4)	137
91,190	(13,262)	104,452	95,963	(35,233)	131,196
3,814	(116)	3,930	3,853	(117)	3,970
2,104	(292)	2,396	2,244	(245)	2,489
2,771	(33)	2,804	2,886	(100)	2,986
7,881	0	7,881	7,716	(1,477)	9,193
41,490	(1,235)	42,725	40,454	(851)	41,305
9,482	(1,768)	11,250	10,826	(298)	11,124
(4,215)	(7,691)	3,476	(3,688)	(6,445)	2,757
<b>206,201</b>	<b>(38,239)</b>	<b>244,440</b>	<b>209,855</b>	<b>(56,602)</b>	<b>266,457</b>
(209,214)	27,777	(236,991)	(208,295)	22,679	(230,974)
<b>(3,013)</b>	<b>(10,462)</b>	<b>7,449</b>	<b>1,560</b>	<b>(33,923)</b>	<b>35,483</b>
<b>(14,398)</b>		<b>Opening General Fund and HRA Balance</b>	<b>(21,748)</b>		
(3,013)		Less/Plus (Surplus) or Deficit on General Fund and HRA Balance in Year	1,560		
(4,337)		Transfers to / from Other Statutory Reserves	(580)		
<b>(21,748)</b>		<b>Closing General Fund and HRA Balance at 31 March</b>	<b>(20,768)</b>		

\*Depute Chief Executive – Place, Neighbourhood and Corporate Assets. Includes Leisure & Culture

^Depute Chief Executive – Education, People and Business

## 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 2016/17	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	STACA (Note 3)	Total Adjustments
	£000	£000	£000	£000
Chief Executive / Joint Boards / Miscellaneous	0	1,441	0	1,441
Depute Chief Exec - P, N and CA*	(2,869)	(5)	0	(2,874)
Assets & Facilities	(3,156)	(1,090)	0	(4,246)
Roads & Transportation	(3,381)	(92)	0	(3,473)
Neighbourhood Services	(1,821)	(287)	0	(2,108)
Housing	(2)	(21)	0	(23)
Land, Planning & Development	(24)	(32)	0	(56)
Place & Community Planning	(409)	(85)	1	(493)
Depute Chief Exec - E, P and B^	0	(4)	0	(4)
Education	(34,421)	(492)	(320)	(35,233)
Finance, Audit & Performance	0	(117)	0	(117)
Legal & Democratic Services	(84)	(161)	0	(245)
Organisational Transformation	0	(100)	0	(100)
Customer & Digital Services	(1,293)	(184)	0	(1,477)
Adult Social Care	(463)	(487)	99	(851)
Children & Families	(89)	(209)	0	(298)
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>

\*Depute Chief Executive – Place, Neighbourhood and Corporate Assets. Includes Leisure & Culture

^Depute Chief Executive – Education, People and Business

**Adjustments between Funding and Accounting Basis  
2015/16**

	Adjustments for Capital Purposes (Note 1)	Net change for the Pensions Adjustments (Note 2)	STACA (Note 3)	Total Adjustments
	£000	£000	£000	£000
Chief Executive / Joint Boards / Miscellaneous	(38)	1,374		1,336
Depute Chief Exec - P, N and CA*	(1,030)	(62)		(1,092)
Assets & Facilities	(5,467)	(528)		(5,995)
Roads & Transportation	(3,780)	(486)		(4,266)
Neighbourhood Services	(1,243)	(819)		(2,062)
Housing	(330)	(65)		(395)
Land, Planning & Development	(82)	(209)		(291)
Place & Community Planning	(618)	(417)	2	(1,033)
Depute Chief Exec - E, P and B^	(44)	0		(44)
Education	(11,167)	(2,544)	449	(13,262)
Finance, Audit & Performance	(26)	(90)		(116)
Legal & Democratic Services	(72)	(220)		(292)
Organisational Transformation	(25)	(8)		(33)
Customer & Digital Services	0	0		0
Adult Social Care	(248)	(1,470)	483	(1,235)
Children & Families	(769)	(999)		(1,768)
Housing Revenue Account	(7,509)	(182)		(7,691)
<b>Net Cost of Services</b>	<b>(32,448)</b>	<b>(6,725)</b>	<b>934</b>	<b>(38,239)</b>
Other Income and Expenditure	34,131	(6,354)	0	27,777
<b>Difference between General Fund (surplus) or deficit and Comprehensive Income and Expenditure Statement (surplus) or deficit</b>	<b>1,683</b>	<b>(13,079)</b>	<b>934</b>	<b>(10,462)</b>

\*Depute Chief Executive – Place, Neighbourhood and Corporate Assets. Includes Leisure & Culture

^Depute Chief Executive – Education, People and Business

**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 IAS 19 *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 2017 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 £0.8m for every year that useful lives had to be reduced.
Provision - Equal Pay	The Council has made a provision of £1.9m 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 is expected to be paid early 2017/18. It is not expected that the amount set aside in the general Fund balance will be required as the provision should cover the amounts expected.	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 £0.19m 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 35(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% in 2015/16).
Collection Levels of Arrears	At 31 March 2017 the Council had a balance of sundry debtors of £8.8m. A review of significant balances suggested that an allowance for doubtful debts of £2.4m 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 £0.240m to be set aside as an allowance.

### 4. Contingent Liabilities

Whilst no provision has been made in the accounts for potential 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, the uncertainty around further claims, and related tribunal outcomes, it is not possible to be certain of potential future costs in this area.

### 5. Events After the Balance Sheet Date

The Chief Finance Officer issued the Unaudited Annual Accounts on 19 June 2017 and the Audited Annual Accounts, which were authorised for issue on 26 September 2017. Events taking place after this date are not reflected in the financial statements or notes. There are no identified events before this date which provided information about conditions existing at 31 March 2017. It has been agreed that there are no adjusting or non-adjusting events after the balance sheet date.

### 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 2016/17 were £0.257m (2015/16 £0.277m).

No other services were provided to the Council in the year by the appointed auditors, Audit Scotland.

## 7. Expenditure and Income Analysed by Nature

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

2015/16 £'000		2016/17 £'000
	<b>Expenditure</b>	
156,981	Employee benefits expenses	154,381
131,567	Other services expenses	133,468
34,366	Depreciation, amortisation, impairment	57,716
15,475	Interest payments	15,179
(230)	Gain on the disposal of assets	(353)
<b>338,159</b>	<b>Total expenditure</b>	<b>360,391</b>
	<b>Income</b>	
(52,191)	Fees, charges, and other service income	(54,081)
(130)	Interest and Investment income	(80)
(75,552)	Income from council tax, non-domestic rates, district rate income	(76,851)
(202,837)	Government grants and contributions	(193,896)
<b>(330,710)</b>	<b>Total income</b>	<b>(324,908)</b>
<b>7,449</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>35,483</b>

## 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 2016/17 and 2015/16 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:

2016/17	Usable Reserves			
	General Fund	Housing Revenue Account	Capital Fund	Movements in Unusable Reserves
	£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 Grants Unapplied Account:</b>				
Capital grants and contributions unapplied credited to the CIES	0	0	0	0
<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 requirements	(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

Note 8 continued:

2015/16	Usable Reserves				Movements in Unusable Reserves
	General Fund	Housing Revenue Account	Capital Receipts Reserve	Capital Fund	
	£000	£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	19,943	9,245	0	0	(29,188)
Charges for Impairment of Assets Held for Sale	0	0	0	0	0
Revaluation losses on Property, Plant and Equipment	2,242	0	0	0	(2,242)
Revaluation losses on Assets Held for Sale	2,224	0	0	0	(2,224)
Amortisation of Intangible Assets	699	13	0	0	(712)
Capital grants and contributions applied	(16,902)	(2,631)	0	0	19,533
Capital fund applied to fund capital expenditure	0	0	(1,590)	(1,893)	3,483
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	940	1,236	0	0	(2,176)
<b>Insertion of items not debited or credited to the CIES:</b>					
Statutory provision for the financing of capital investment	(11,772)	(2,377)	0	0	14,149
Capital expenditure charged against the General Fund and HRA balances	(169)	(1,749)	0	0	1,918
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>					
Capital grants and contributions unapplied credited to the CIES	0	0	0	0	0
<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.	(1,006)	(1,400)	0	842	1,564
Use of the Capital Receipts Reserve to finance new capital expenditure.	0	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 requirements	(179)	(40)	0	0	219
<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	12,812	267	0	0	(13,079)
<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.	(934)	0	0	0	934
<b>Total Adjustments</b>	<b>7,898</b>	<b>2,564</b>	<b>(1,590)</b>	<b>(1,051)</b>	<b>(7,821)</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 2016/17.

	General Fund	Housing Revenue Account	Transfers (to)/from Other Statutory	
			Capital Fund	Other Statutory Funds
	£000	£000	£000	£000
<b>2016/17 TRANSFER</b>				
Capital Fund applied to meet cost of principal repayments	1,013	0	(1,013)	0
Transfer of funds to Education replacement fund	110	0	0	(110)
Transfer of funds to Central Energy Efficiency 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>
<b>2015/16 TRANSFER</b>				
Capital Fund applied to meet cost of principal repayments	4,947	0	(4,947)	0
HRA transfer to General Fund	93	(93)	0	0
Transfer of funds to Education replacement fund	(110)	0	0	110
Agreed contribution for vehicle repairs & renewals	(500)	0	0	500
<b>Total Transfers 2015/16</b>	<b>4,430</b>	<b>(93)</b>	<b>(4,947)</b>	<b>610</b>

## 10. Property, Plant and Equipment

### a) Effects of Changes in Estimates

In 2016/17 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 2016/17 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)	31/03/2013	31/03/2018
Lock ups	31/03/2013	31/03/2018

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 2016/17

	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>
<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	867,463	126,465
Additions	39,363	9,922	0	2,817	7,935	4,947	0	64,984	28
Donations	0	0	0	0	330	0	0	330	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	(47,644)	0	102	(47,542)	51,768
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(78)	0	0	0	(40,052)	0	(46)	(40,176)	(19,117)
Derecognition - Disposals	0	0	0	(153)	(369)	(2,540)	(1,435)	(4,497)	0
Derecognition - Other	0	0	0	0	(390)	(1,020)	0	(1,410)	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	(1,745)	0	(9)	(1,754)	0
Other reclassifications	(16,672)	0	0	0	14,094	2,503	75	0	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)	(127,392)	(15,329)
Depreciation charge	0	(4,011)	0	(3,046)	(13,093)	(7,284)	(19)	(27,453)	(3,832)
Depreciation written out to the Revaluation Reserve	0	0	0	0	33,254	0	20	33,274	19,161
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	12,437	0	2	12,439	0
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	0	0	0	0	0	(851)	0	(851)	0
Derecognition - Disposals	0	0	0	104	69	257	0	430	0
Derecognition - Other	0	0	0	0	390	92	0	482	0
Other reclassifications	0	0	0	0	3	0	(3)	0	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

Movements in 2015/16	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 2015	10,188	166,454	4,410	26,599	420,140	199,919	4,521	832,231	126,465
Additions	17,716	9,103	0	4,064	3,130	7,411	0	41,424	0
Donations	0	0	0	0	518	0	0	518	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	0	0	0	(1,781)	0	(898)	(2,679)	0
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(2,750)	0	(326)	(3,076)	0
Derecognition - Disposals	0	0	0	(264)	0	(1,391)	0	(1,655)	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	700	700	0
Other reclassifications	(12,141)	0	0	0	12,844	202	(905)	0	0
<b>At 31 March 2016</b>	<b>15,763</b>	<b>175,557</b>	<b>4,410</b>	<b>30,399</b>	<b>432,101</b>	<b>206,141</b>	<b>3,092</b>	<b>867,463</b>	<b>126,465</b>
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2015	0	(42,381)	0	(15,876)	(31,588)	(10,917)	(636)	(101,398)	(11,496)
Depreciation charge	0	(3,798)	0	(2,681)	(13,444)	(7,036)	(82)	(27,041)	(3,833)
Depreciation written out to the Revaluation Reserve	0	0	0	0	1,894	0	153	2,047	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	834	0	0	834	0
Impairment (losses)/reversals recognised in the Surplus/ Deficit on the Provision of Services	(404)	0	0	0	0	(1,743)	0	(2,147)	0
Derecognition - Disposals	0	0	0	156	0	157	0	313	0
Derecognition - Other	0	0	0	0	0	0	0	0	0
<b>At 31 March 2016</b>	<b>(404)</b>	<b>(46,179)</b>	<b>0</b>	<b>(18,401)</b>	<b>(42,304)</b>	<b>(19,539)</b>	<b>(565)</b>	<b>(127,392)</b>	<b>(15,329)</b>
<b>Net Book Value</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>
<b>At 31 March 2015</b>	<b>10,188</b>	<b>124,073</b>	<b>4,410</b>	<b>10,723</b>	<b>388,552</b>	<b>189,002</b>	<b>3,885</b>	<b>730,833</b>	<b>114,969</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 which 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:

Nature of Other Land and Buildings asset holdings	Owned	Shared Equity	Common Good	Finance Lease	PPP	Total - Other Land and Buildings
	£000	£000	£000	£000	£000	£000
As at 31 March 2017	190,794	1,485	3,593	0	159,144	355,016
As at 31 March 2016	275,588	1,155	1,918	0	111,136	389,797

#### Shared Equity

The Shared Equity Scheme is a Scottish Government initiative which 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**).

## f) Capital Commitments

As at 31 March 2017, the Council has commitments on capital contracts for the construction or enhancement of property, plant and equipment for housing and non-housing projects in 2016/17 and future years, with contracted costs of £1.283m (2015/16 £3.573m) and £17.880m (2015/16 £24.837m) respectively. The main commitments are:

Details	£000
St Andrew's/St Jospheh's Primary School	9,267
Bishopbriggs Community Hub	2,256
Thomas Muir Primary School	1,588
Holy Trinity Primary School	1,784
Office Accomodation	874
Kirkintilloch Town Hall	2,111
Housing Capital - Windows	1,283
<b>Total</b>	<b>19,163</b>

## 11. Heritage Assets

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

	Artworks & Exhibits	Civic Regalia	Monuments & Memorials	Total
Cost or Valuation	£000	£000	£000	£000
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>
Cost or Valuation				
1 April 2015	2,023	605	576	3,204
<b>31 March 2016</b>	<b>2,023</b>	<b>605</b>	<b>576</b>	<b>3,204</b>

**Archives** - In keeping with Council policy (**Note 35m**) 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 which 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 which 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 35m**) 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 £0.721m in 2016/17 (2015/16 £0.712m) has been charged across various services and included in the Net Expenditure of Services within the Comprehensive Income and Expenditure Statement.

2015/16	Movement in Intangible Assets	2016/17
£000		£000
	<b>Balance at start of year:</b>	
3,510	Gross carrying amounts	4,064
(1,938)	Accumulated amortisation	(2,650)
<b>1,572</b>	<b>Net carrying amount at 1 April</b>	<b>1,414</b>
554	Purchases	280
(712)	Amortisation for the year	(721)
<b>1,414</b>	<b>Net carrying amount at end of year</b>	<b>973</b>
	<b>Comprising:</b>	
4,064	Gross carrying amounts	4,344
(2,650)	Accumulated amortisation	(3,371)
<b>1,414</b>	<b>Total</b>	<b>973</b>

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

## 13. Assets Held for Sale (Current)

2015/16		2016/17
£000		£000
<b>5,208</b>	<b>Balance outstanding at start of year</b>	<b>1,266</b>
0	Additions	14
	Assets newly classified as held for sale:	
0	- Property, Plant and Equipment	1,754
(184)	Revaluation gains/(losses) reflected in Revaluation Reserve	407
(2,224)	Revaluation gains/(losses) reflected in Surplus or Deficit on Provision of Services	(25)
	Assets declassified as held for sale:	
(700)	- Property, Plant and Equipment	0
(834)	Assets sold	(140)
<b>1,266</b>	<b>Balance outstanding at year end</b>	<b>3,276</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.

2015/16		2016/17
£000		£000
<b>255,075</b>	<b>Opening Capital Financing Requirement</b>	<b>256,924</b>
	<b>Capital Investment:</b>	
41,423	Property, Plant and Equipment	64,999
555	Intangible Assets	280
<b>41,978</b>	<b>Total Capital Investment</b>	<b>65,279</b>
	<b>Sources of Finance:</b>	
1,564	Capital Receipts	2,799
19,015	Government Grants and Other Contributions	14,138
3,483	Contribution from Capital Funds	72
1,918	Capital from Current Revenue	3,317
<b>25,980</b>	<b>Total Capital Receipts, Grants &amp; Other Contributions</b>	<b>20,326</b>
11,489	Loans Fund Principal Repayments	9,858
2,660	PPP / Finance Lease Principal Repayments	2,676
<b>40,129</b>	<b>Total Sources of Finance</b>	<b>32,860</b>
<b>256,924</b>	<b>Closing Capital Financing Requirement</b>	<b>289,343</b>
<b>1,849</b>	<b>Movement in Year</b>	<b>32,419</b>
	Explained by:	
1,849	Increase/(Decrease) in underlying need to borrow (supported by Government )	32,419
<b>1,849</b>	<b>Increase / (decrease) in Capital Financing Requirement</b>	<b>32,419</b>

## 15. Impairment Losses

During 2016/17 the Council incurred net impairment losses of £0.494m (2015/16 - £2.147m) which were charged to the Comprehensive Income and Expenditure Statement. This is comprised of £0.852m for Council Dwellings (2015/16 - £1.743m) and a reversal of (£0.358m) of previous impairments for Other Land and Buildings.

## 16. Schools Public Private Partnership

2016/17 was the seventh 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 which 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 2017:	Payments for Services (incl. lifecycle maintenance)	Repayment of Liability	Finance Interest	Total
	£000	£000	£000	£000
Payable within 1 year	4,983	2,371	7,587	14,941
Payable within 2 to 5 years	21,805	11,061	29,945	62,811
Payable within 6 to 10 years	40,256	12,476	33,113	85,845
Payable within 11 to 15 years	46,528	16,390	31,861	94,779
Payable within 16 to 20 years	43,966	29,263	31,415	104,644
Payable within 21 to 25 years	19,322	15,180	10,345	44,847
<b>Total</b>	<b>176,860</b>	<b>86,741</b>	<b>144,266</b>	<b>407,867</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:

2015/16		2016/17
£000		£000
92,077	Balance outstanding at start of year	89,417
(2,660)	Payments during the year	(2,677)
<b>89,417</b>	<b>Balance outstanding at year-end</b>	<b>86,740</b>

#### Included in Balance Sheet

2,676	Current (included within Short Term Creditors)	2,371
86,741	Non-Current (shown separately on Balance Sheet)	84,369
<b>89,417</b>	<b>Total</b>	<b>86,740</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 2016		31 March 2017	
Long-term	Current	Long-term	Current
£000	£000	£000	£000
<b>Financial Assets:</b>			
0	22,000	0	0
25	13,825	21	18,844
<b>Financial Liabilities:</b>			
<b>Borrowings</b>			
132,237	15,733	144,936	22,610
<b>Other Long-term Liabilities</b>			
86,741	2,676	84,369	2,371
<b>Creditors</b>			
3,415	35,842	5,189	34,960

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

2015/16			2016/17		
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
(7,573)	0	(7,573)	Interest Expense	0	(7,585)
(7,573)	0	(7,573)	<b>Total expense in Surplus or Deficit on Provision of Services</b>	<b>0</b>	<b>(7,585)</b>
0	130	130	Interest income	80	80
0	130	130	<b>Total income in Surplus or Deficit on Provision of Services</b>	<b>80</b>	<b>80</b>
(7,573)	130	(7,443)	<b>Net gain / (loss) for the year</b>	<b>80</b>	<b>(7,505)</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 2016/17.

**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 2017.
- 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 2017 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 the Council's treasury advisers has been used in the assessment of the fair values. The fair values are calculated as follows:

31 March 2016		Fair Value of Financial Assets	31 March 2017	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
22,000	22,000	Financial assets	0	0
13,850	13,850	Debtors	18,865	18,865

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 £0.2m (2015/16 £0.2m) which is considered to be sufficient to meet the current obligations due. The Council holds no long-term investments. Short-term deposits which 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 2016		Fair Value of Financial Liabilities	31 March 2017	
Carrying Amount	Fair Value		Carrying Amount	Fair Value
£000	£000		£000	£000
147,970	224,531	Financial liabilities	167,546	258,896
89,417	160,023	PPP and finance lease liabilities	86,741	159,409
39,257	39,527	Creditors	41,075	41,075

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 2016/17, 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 which 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 2017 totalling £9.868m were placed with banks and Money Market Funds, and held in sterling. This total of £9.868m 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:

31 March 2016		31 March 2017		
Estimated maximum exposure to default and uncollectability		Amount	Historical experience of non-payment adjusted for market conditions	Estimated maximum exposure to default and uncollectability
		£000	%	£000
		(A)	(B)	(A x B)
0	Deposits with banks, building societies and local authorities	9,800	0.0%	0
609	Customers (trade debtors excl. Council Tax)	8,826	10.5%	927

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 £8.826m (2015/16 £5.804m) was due from sundry debtor income billed to customers and housing benefit overpayments as shown in the table above. However, only £4.068m (2015/16 £3.885m) 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 2016		31 March 2017
<b>£000</b>		<b>£000</b>
630	Less than three months	2,456
182	Three to six months	62
382	Six months to one year	235
2,691	More than one year	1,315
<b>3,885</b>	<b>Total</b>	<b>4,068</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 £2.4m for 2016/17 (2015/16 £2.9m), based on an assessment of sundry debtors and the Council's history of collectability within various categories of customers.

HRA Housing rent arrears of £1.178m (2015/16 £0.998m) existed at the year end. The Council has processes in place to pursue these arrears and has a bad debt provision of £0.862m (2015/16 £0.746m) 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 2016		31 March 2017
<b>£000</b>		<b>£000</b>
15,733	Less than one year	22,610
6,643	Between one and two years	6,299
22,958	Between two and five years	18,113
7,837	Between five and 10 years	7,410
13,292	Between 10 and 15 years	16,179
19,586	Between 15 and 20 years	19,672
9,845	Between 20 and 25 years	7,845
2,000	Between 25 and 30 years	3,000
50,076	Over 30 years	66,418
<b>147,970</b>	<b>Total</b>	<b>167,546</b>
<b>Analysed as:</b>		
15,733	Current	22,610
132,237	Non-Current	144,936
<b>147,970</b>	<b>Total</b>	<b>167,546</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 2017, with all other variables held constant.

31 March 2016	31 March 2017
£000	£000
<b>Impact on taxpayer</b>	
(200) Increase on interest receivable on variable rate lending	(159)
<b>(200) Net effect on Comprehensive Income and Expenditure Statement</b>	<b>(159)</b>
<b>Other presentational changes</b>	
30,127 Decrease in the "fair value" of fixed rate borrowing (no impact on the Surplus or Deficit in the Comprehensive Income and Expenditure Statement)	37,334

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

2015/16			2016/17			
Consumable Stores	Maintenance Materials	Total		Consumable Stores	Maintenance Materials	Total
£000	£000	£000		£000	£000	£000
630	174	804	<b>Balance outstanding at start of year</b>	579	6	585
3,779	535	4,314	Purchases	3,816	30	3,846
(3,830)	(688)	(4,518)	Recognised as an expense in the year	(3,845)	(36)	(3,881)
0	(15)	(15)	Written off balances	0	0	0
<b>579</b>	<b>6</b>	<b>585</b>	<b>Balance outstanding at the year-end</b>	<b>550</b>	<b>0</b>	<b>550</b>

## 20. Debtors

31 March 2016			31 March 2017		
Current		Long-term	Current		Long-term
£000	£000	£000	£000	£000	£000
6,080	0	0	6,581	0	0
983	0	0	1,126	0	0
867	0	0	1,707	0	0
17	0	0	873	0	0
7,320	25	0	9,881	21	0
<b>15,267</b>	<b>25</b>	<b>Total</b>	<b>20,168</b>	<b>21</b>	<b>Total</b>

## 21. Cash and Cash Equivalents

31 March 2016		31 March 2017	
£000		£000	
39	Cash held by the Council	17	
(5,008)	Bank current accounts	(3,485)	
6,742	Deposits up to three months with UK banks, building societies and local authorities	9,868	
<b>1,773</b>	<b>Total</b>	<b>6,400</b>	

## 22. Current Intangible Assets

31 March 2016		31 March 2017	
£000		£000	
908	Carbon Reduction Commitment Allowance	626	
<b>908</b>	<b>Total</b>	<b>626</b>	

## 23. Creditors

31 March 2016			31 March 2017		
Current		Long-term	Current		Long-term
Creditors	Receipts in Advance	Creditors	Creditors	Receipts in Advance	Creditors
£000	£000	£000	£000	£000	£000
(4,269)	(265)	0	(4,758)	0	0
(2,777)	0	0	(4,761)	0	0
(107)	0	0	(464)	0	0
(226)	0	0	(161)	0	0
(30,868)	(6)	(3,415)	(27,903)	(6)	(4,813)
<b>(38,247)</b>	<b>(271)</b>	<b>(3,415)</b>	<b>(38,047)</b>	<b>(6)</b>	<b>(4,813)</b>

## 24. Provisions

	Current Provisions				Long term Provisions	
	SOM Back Pay	Equal Pay	Restructuring	Total	Insurance	Total
Notes	(1)	(2)	(3)		(4)	
	£000			£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>0</b>	<b>2,000</b>	<b>495</b>	<b>2,495</b>	<b>362</b>	<b>362</b>
Additional provisions made in 2016/17	1,677	0	0	1,677	0	0
Amounts used in 2016/17	0	(67)	(450)	(517)	0	0
Unused amounts reversed in 2016/17	0	0	(45)	(45)	(1)	(1)
<b>Balance at 31 March 2017</b>	<b>1,677</b>	<b>1,933</b>	<b>0</b>	<b>3,610</b>	<b>361</b>	<b>361</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 been undertaking service redesign, and this restructuring provision has resulted in costs associated with voluntary severance these were used within the year.
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 2016		31 March 2017	
	£000		£000
19,694	General Fund Balance	17,551	
2,054	HRA Balance	3,217	
6,149	Capital Fund	6,825	
32	Central Energy Efficiency Fund	75	
110	Education Replacement Fund	0	
500	Vehicle Renewal & Repair Fund	1,000	
<b>28,539</b>	<b>Total Usable Reserves</b>	<b>28,668</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 31/03/2015	Transfers Out 2015/16	Transfers In 2015/16	Balance at 31/03/2016	Transfers Out 2016/17	Transfers In 2016/17	Balance at 31/03/2017
	£000	£000	£000	£000	£000	£000	£000
Modernisation, Efficiency and Reform initiatives	552	(552)	235	235	(235)	305	305
External funding carried forward to complete projects	1,415	(1,168)	1,084	1,331	(1,331)	391	391
Contribution to ring fenced Treasury Management Reserve	500	(500)	800	800	(800)	0	0
Service Commitments to ongoing projects	1,303	(1,303)	955	955	(955)	1,400	1,400
Contribution to Repairs & Renewals Fund	500	(500)	500	500	(500)		0
Ear-marked for Equal Pay	0	0	2,050	2,050	(2,050)		0
Job Evaluation - OP	0	0	0	0	0	598	598
Job Evaluation - SOM (Trust)	0	0	0	0	0	186	186
Commitment to budget pressures 18/19 onwards	0	0	0	0	0	355	355
Council Recommendations	0	0	0	0	0	300	300
Winter	0	0	0	0	0	150	150
HRA Retained surplus	995	(995)	307	307	(307)	1,163	1,163
Commitment to budget pressures	348	(348)	3,919	3,919	(3,918)	998	999
<b>Total Earmarked Reserves</b>	<b>5,613</b>	<b>(5,366)</b>	<b>9,850</b>	<b>10,097</b>	<b>(10,096)</b>	<b>5,846</b>	<b>5,847</b>
Prudential Reserve	3,000	0	0	3,000	0	750	3,750
Treasury Management Reserve	1,984	0	200	2,184	0	800	2,984
Contingency Reserve	1,911	0	2,352	4,263	0	357	4,620
Uninsured Losses Reserve	50	0	100	150	0	200	350
<b>Total Non-Earmarked Reserves</b>	<b>6,945</b>	<b>0</b>	<b>2,652</b>	<b>9,597</b>	<b>0</b>	<b>2,107</b>	<b>11,704</b>
<b>Total General Fund Balance</b>	<b>12,558</b>	<b>(5,366)</b>	<b>12,502</b>	<b>19,694</b>	<b>(10,096)</b>	<b>7,953</b>	<b>17,551</b>

## 26. Unusable Reserves

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

31 March 2016		31 March 2017
£000		£000
(3,631)	Financial Instruments Adjustment Account	(3,166)
339,518	Capital Adjustment Account	316,139
149,531	Revaluation Reserve	130,317
(145,904)	Pensions Reserve	(215,630)
(6,945)	Employee Statutory Adjustment Account	(7,165)
<b>332,569</b>	<b>Total Unusable Reserves</b>	<b>220,495</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 2016		31 March 2017
£000		£000
(3,850)	<b>Balance at 1 April</b>	(3,631)
219	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	465
219	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	465
<b>(3,631)</b>	<b>Balance at 31 March</b>	<b>(3,166)</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 2016		31 March 2017
£000		£000
332,217	<b>Balance at 1 April</b>	339,518
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement (CIES):</b>	
(29,188)	Charges for depreciation and impairment of assets	(28,304)
(4,466)	Valuation movements on Property, Plant and Equipment	(28,690)
(712)	Amortisation of intangible assets	(721)
(2,176)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(4,207)
<b>(36,542)</b>		<b>(61,922)</b>
3,196	<b>Adjusting amounts written out of the Revaluation Reserve</b>	5,354
<b>(33,346)</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(56,568)</b>
	<b>Capital financing applied in the year:</b>	
1,564	Use of the Capital Receipts Reserve to finance new capital expenditure	2,799
19,533	Capital grants and contributions credited to the CIES that have been applied to capital financing	14,467
3,483	Use of the Capital/Other funds to finance capital expenditure	72
14,149	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12,534
1,918	Capital expenditure charged against the General Fund and HRA balance (CFCR)	3,317
<b>40,647</b>		<b>33,189</b>
<b>339,518</b>	<b>Balance at 31 March</b>	<b>316,139</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 2016		31 March 2017
£000		£000
153,543	Balance at 1 April	149,531
(816)	Revaluation of non-current assets not posted to the Surplus or Deficit on Provision of Services	(13,861)
(2,605)	Difference between fair value depreciation and historical cost depreciation	(1,983)
(591)	Accumulated gains on assets sold or scrapped	(3,370)
<b>149,531</b>	<b>Balance at 31 March</b>	<b>130,317</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 2016		31 March 2017
<b>£000</b>		<b>£000</b>
(195,212)	<b>Balance at 1 April</b>	(145,904)
62,387	Actuarial gains or (losses) on pension assets and liabilities	(62,601)
(29,490)	Reversal of items relating to net charges for retirement benefits charged to Surplus or Deficit on the Provision of Services in the CIES	(23,064)
16,411	Employer's pension contributions paid to Strathclyde Pension Fund	15,939
<b>(145,904)</b>	<b>Balance at 31 March</b>	<b>(215,630)</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 is neutralised by transfers to or from the Account.

31 March 2016		31 March 2017
<b>£000</b>		<b>£000</b>
(7,879)	<b>Balance at 1 April</b>	(6,945)
7,879	Settlement or cancellation of accrual made at the end of the preceding year	6,945
(6,945)	Amounts accrued at the end of the current year	(7,165)
934	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	(220)
<b>(6,945)</b>	<b>Balance at 31 March</b>	<b>(7,165)</b>

## 27. Agency Services

Agency income for 2016/17 is lower than 2015/16 as the InspirED payment is now taken at source and not reflected in the income amounts. Agency income earned in the year is as follows:

2015/16		2016/17
<b>£000</b>		<b>£000</b>
678	<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	647
310	<b>Scottish Water</b> - in return for billing and collection of water charges	310
103	<b>InspirED</b> - re-imburement reduction in cost of insurance for PPP schools	0
<b>1,091</b>	<b>Total</b>	<b>957</b>



## 28. Grant Income

The Council credited the following grants and contributions to the CIES in 2016/17:

2015/16 £000	Credited to Taxation and Non-Specific Grant Income	2016/17 £000
163,375	General Revenue Grant	159,542
50,364	Council Tax and Community Charge	51,302
25,188	Non-Domestic Rates	25,550
19,533	Capital Grants and Contributions	14,467
<b>258,460</b>	<b>Total Taxation and Non-Specific Grant Income in the CIES</b>	<b>250,861</b>

2015/16 £000	Credited to Services (within Net Cost of Services in the CIES)	2016/17 £000
945	Education	960
12,839	Social Work	14,936
18,922	Housing Benefits	18,615
1,401	Other	1,320
<b>34,107</b>	<b>Total</b>	<b>35,831</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 (2015/16 £0.271m)
- Long-term Grants Receipts in Advance £4.813m (2015/16 £3.415m)

## 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 2016/17 is shown in the Remuneration Report.

During 2016/17, one member was employed by another local authority to which the Council paid £0.942m (2015/16 £0.981m), mainly in respect of joint services and placements for social work and education services. In 2016/17, further services to the value of £2.136m (2015/16 £2.395m) were commissioned from business, charitable, community, health and educational organisations in which 6 members had an interest. Contracts were entered into in full compliance with the Council's standing orders. In addition, grants totalling £0.001m (2015/16 £0.002m) were paid to community and charitable organisations in which 1 member declared an interest.

The relevant members did not take part in any discussion or decision relating to these grants. 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 2016/17.

**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 2016/17 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:**

2015/16	2016/17
Net Expenditure	Net Expenditure
£000	£000
4,835 East Dunbartonshire Leisure and Culture Trust	3,671
351 Mugdock Country Park Joint Management Committee	339
<b>5,186 Total</b>	<b>4,010</b>

The Integration Joint Board (East Dunbartonshire Health & Social Care Partnership) managed services to a value of £63.363m 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:**

2015/16	2016/17
Net Expenditure	Net Expenditure
£000	£000
3,207 Strathclyde Partnership for Transport	3,204
219 Strathclyde Concessionary Travel Joint Board	219
665 Dunbartonshire and Argyll and Bute Valuation Joint Board	664
83 SEEMIS LLP	102
71 Scotland Excel	79
72 Glasgow and Clyde Valley Strategic Development Planning Authority Joint Committee (Clyde Plan)	72
42 Glasgow and Clyde Valley Cabinet (City Deal)	54
20 Gateway Shared Services (Continuing Education Gateway)	90
14,137 Hub West Scotland Limited	28,259
<b>18,516</b>	<b>32,743</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 2016/17 was £1.108m (£1.24m 2015/16) 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 2016		31 March 2017
<b>£000</b>		<b>£000</b>
(146)	Not later than one year	(104)
(1,875)	Later than one year and not later than five years	(1,389)
(3,143)	Later than five years	(1,689)
<b>(5,164)</b>	<b>Total</b>	<b>(3,182)</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 2016/17 were £0.549m (2015/16 £1.227m) 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 2016		31 March 2017
<b>£000</b>		<b>£000</b>
154	Not later than one year	738
1,356	Later than one year and not later than five years	748
<b>1,510</b>	<b>Total</b>	<b>1,486</b>

## 31. Termination Benefits

The Council approved the termination of the contracts of a number of employees in 2016/17, incurring costs of £1.096m (2015/16 £5.320m). Some of these contract terminations related to Senior Officers and these are detailed in the Remuneration Report. The termination benefits were payable to 14 employees who were made 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. A specific amount is held by the Scottish Government for this purpose.

In 2016/17, the Council paid £8.165m 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 2015/16 were £7.461m and 17.2%. The Council paid over £7.489m to the Scottish Government in respect of 2016/17 contributions (2015/16 £6.786m), leaving a balance of £0.677m to be paid over at the balance sheet date (2015/16 £0.675m).

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 £0.025m in 2016/17. There were none in 2015/16.

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 / 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.

2015/16	Comprehensive Income and Expenditure Statement	2016/17
£000		£000
	<b>Cost of Services:</b>	
18,050	Current service cost	15,352
5,086	Past service costs (incl. curtailments)	2,571
0	(Gain)/loss from settlements	0
	<b>Financing and Investment Income and Expenditure</b>	
6,354	Net interest expense	5,141
<b>29,490</b>	<b>Total Post-employment Benefits charged to the Surplus or Deficit on the Provision of Services</b>	<b>23,064</b>
	<b>Other Post-employment Benefits charged to Other Comprehensive Income and Expenditure</b>	
2,735	Expected return on scheme assets	(92,144)
(56,590)	Actuarial (gains) and losses arising on changes in financial assumptions	151,105
(8,532)	Other (if applicable)	3,640
<b>(62,387)</b>		<b>62,601</b>
<b>(32,897)</b>	<b>Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement</b>	<b>85,665</b>

2015/16	Movement in Reserves Statement	2016/17
£000		£000
(29,490)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(23,064)
16,411	Employer's contributions payable to scheme	15,940
(13,079)	Amount by which pension costs calculated in accordance with the Code are different from the contributions due under the pension scheme regulations	(7,124)

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 2016	31 March 2017
	£000	£000
Fair Value of Employer Assets	467,009	575,993
Present Value of Defined Benefit Liability*	(612,913)	(791,623)
<b>Net liability arising from defined benefit obligation</b>	<b>(145,904)</b>	<b>(215,630)</b>
*Unfunded liabilities included in the figure for present value of liabilities:		
Unfunded liabilities for Pension Fund	32,765	41,525
Teachers' unfunded pensions	23,352	26,899
Unfunded liabilities prior to 1996 local government reorganisation	8,570	8,672
	<b>64,687</b>	<b>77,096</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post-employment benefits. The total liability of £215.630m has had an impact on the net worth of the authority, resulting in a deterioration of £69.726m 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 an increase of £69.726m 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)**

2015/16		2016/17
£000		£000
<b>650,565</b>	<b>Opening Balance at 1 April</b>	<b>612,913</b>
18,050	Current Service Cost	15,352
20,922	Interest Cost	21,495
3,379	Contributions by Scheme Participants	3,354
	Remeasurement (gains) and losses:	
(56,590)	Change in financial assumptions	151,105
(8,532)	Other experience	3,640
5,086	Past Service Costs / (Gains)	2,571
(3,619)	Estimated Unfunded Benefits Paid	(3,485)
(16,348)	Estimated Benefits Paid	(15,322)
<b>612,913</b>	<b>Closing Balance at 31 March</b>	<b>791,623</b>

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

2015/16		2016/17
£000		£000
<b>455,353</b>	<b>Opening Balance at 1 April</b>	<b>467,009</b>
14,568	Interest Income on Plan Assets	16,354
0	Remeasurement gain / (loss):	
(2,735)	Expected Rate of Return on Pension Fund Assets	92,144
3,379	Contributions by Scheme Participants	3,354
12,792	Contributions by the Employer	12,455
3,619	Contributions re Unfunded Benefits	3,485
(3,619)	Unfunded Benefits Paid	(3,485)
(16,348)	Benefits Paid	(15,322)
<b>467,009</b>	<b>Closing Balance at 31 March</b>	<b>575,994</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 2016.

**f) Local Government Pension Scheme assets comprised:**

2015/16	Fair Value of Scheme Assets	2016/17
£000		£000
16,092	<b>Cash and Cash Equivalents</b>	21,695
	<b>Equities Securities:</b>	
	By Industry type	
43,800	Consumer	54,478
34,988	Manufacturing	43,239
13,760	Energy and Utilities	17,118
32,223	Financial Institutions	40,084
18,840	Health and Care	23,427
26,664	Information Technology	33,132
1	<b>Debt Securities:</b> Corporate Bonds (non investment grade)	5
45,427	<b>Private Equity</b>	47,490
50,170	<b>Real Estate:</b> UK Property	69,475
	<b>Investment Funds and Unit Trusts</b>	
121,219	Equity	185,190
56,998	Bonds	32,339
159	Commodities	387
6,555	Other	7,810
	<b>Derivatives</b>	
0	Foreign Exchange	77
113	Other	48
<b>467,009</b>	<b>Total</b>	<b>575,994</b>

31 March 2016	Pension Fund assets by Category	31 March 2017
73%	Equities	77%
12%	Bonds	6%
11%	Property	12%
4%	Cash	5%
<b>100%</b>		<b>100%</b>

**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 Robertson, an independent firm of actuaries, and the estimates are based on the latest full valuation of the Fund at 31 March 2017. The significant assumptions used by the actuary are shown in the tables below. This note includes a sensitivity analysis for the pension obligation based on reasonably possible changes of these assumptions occurring at the reporting date.

<b>31 March 2016</b>	<b>Longevity at 65 for current pensioners (years):</b>	<b>31 March 2017</b>
22.1	Men	22.1
23.6	Women	23.6
<b>31 March 2016</b>	<b>Longevity at 65 for future pensioners* (years):</b>	<b>31 March 2017</b>
24.8	Men	24.8
26.2	Women	26.2

\* Figures assume member aged 45 as at the last formal valuation date

31 March 2016	Financial assumptions:	31 March 2017
4.2%	Rate of increase in employee earnings	4.4%
2.2%	Rate of increase in pensions / inflation	2.4%
3.5%	Rate for discounting scheme liabilities	2.6%

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

Sensitivities at 31 March 2017	Approximate % Increase to Employer Obligation	Approximate Monetary Amount £'000
0.5% decrease in Real Discount Rate	10%	82,156
0.5% increase in the Salary Increase rate	3%	28,527
0.5% increase in the Pension Increase rate	7%	53,255

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).

#### ***h) 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 2018 is £10.697m.

The assumed weighted average duration of the defined benefit obligation is 18.3 years, effective as at the previous formal valuation as at 31 March 2014 (this is different from the mortality assumptions quoted in the table above in "Basis for Estimating Assets and Liabilities").

#### ***i) 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. As a consequence, 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, 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 2016/17 financial year and its position at the year end of 31 March 2017. 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 2016/17* and the *Service Reporting Code of Practice 2016/17*, 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.

### 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 is currently in the initial year of its second phase, which 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 eg 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

#### Finance Leases

Assets held under finance leases are recognised on the Balance Sheet at the commencement of the lease at fair value measured at the lease's inception. The asset recognised is matched by a liability for the obligation to pay the lessor.

#### 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

The net cost of overheads and support services are fully allocated to service users.

## 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**

A contingent asset or liability arises where an event has taken place that gives the Council a possible benefit or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent assets or 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 / obligation cannot be measured reliably.

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

#### **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 2016/17.

#### **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 2016/17. 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.

### **Investment Property**

There are no assets categorised as 'Investment Property' on the balance sheet on the basis that assets are used in the delivery of services or held for the purposes of economic regeneration.

### **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. There are no standards within the 2017/18 Code that will impact on the 2016/17 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.

2015/16		2016/17	
£000		£000	£000
<b>Income</b>			
(12,735)	Dwelling Rents	(12,891)	
(110)	Non Dwelling Rents	(99)	
(354)	Other Income	(403)	
<b>(13,199)</b>	<b>Total Income</b>		<b>(13,393)</b>
<b>Expenditure</b>			
3,698	Repairs and Maintenance	3,531	
2,951	Supervision and Management	2,715	
9,258	Depreciation, impairment and revaluation of non-current assets	9,404	
267	Movement in the allowance for bad debtors	219	
429	Other Expenditure	255	
<b>16,603</b>	<b>Total Expenditure</b>		<b>16,124</b>
<b>3,404</b>	<b>Net Expenditure</b>		<b>2,731</b>
26	HRA services share of Corporate and Democratic Core		26
<b>3,430</b>	<b>Net Cost of HRA Services as included in the whole authority Comprehensive Income and Expenditure Statement</b>		<b>2,757</b>
46	HRA share of other amounts included in the whole authority net expenditure of continuing operations but not allocated to specific services		0
<b>3,476</b>	<b>Net Cost of HRA Services</b>		<b>2,757</b>
HRA share of the operating income and expenditure included in the whole authority Comprehensive Income and Expenditure Statement:			
(164)	(Gain) or Loss on sale of HRA non-current assets		(430)
1,503	Interest payable and similar charges		1,412
(12)	Interest and investment income		(15)
85	Pension interest cost and expected return on pension assets		72
(2,631)	Capital Grants and Contributions		(794)
<b>2,257</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>3,002</b>

**Movement on the HRA Statement** - The statement takes the outturn on the HRA Income and Expenditure Statement and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the 1987 Act.

2015/16	Movement on the HRA Statement	2016/17
<b>£000</b>		<b>£000</b>
<b>(1,840)</b>	<b>Balance on the HRA at end of the previous reporting period</b>	<b>(2,054)</b>
2,257	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	3,002
	Adjustments between accounting basis and funding basis under statute:	
(9,258)	Depreciation, impairment and revaluation of non-current assets	(9,404)
164	Gain or loss on sale of HRA non-current assets	430
40	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	39
(267)	Net charges made for retirement benefits in accordance with IAS19	(130)
2,377	Loans fund principal	1,089
1,749	Capital expenditure funded by the HRA	3,017
2,631	Capital Grants and Contributions	794
(2,564)	Total Adjustments between accounting basis and funding basis under statute:	(4,165)
<b>(307)</b>	<b>Net decrease or (increase) before transfers to or from reserves</b>	<b>(1,163)</b>
93	Transfers to or (from) earmarked reserves	0
<b>(214)</b>	<b>(Increase) or decrease in year on the HRA</b>	<b>(1,163)</b>
<b>(2,054)</b>	<b>Balance on the HRA at the end of the current reporting period</b>	<b>(3,217)</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	687	(5)	682
Detached House	4	0	4
Terraced House	1,085	(22)	1,063
<b>Total Houses</b>	<b>1,789</b>	<b>(27)</b>	<b>1,762</b>
<b>Flats</b>			
Maisonette	101	2	103
Four in a Block	745	19	764
Tenement Flat	935	(8)	927
Homeless: 8 apartment	1	0	1
Homeless: 6 apartment	1	0	1
Homeless: 2 apartment	3	0	3
<b>Total Flats</b>	<b>1,786</b>	<b>13</b>	<b>1,799</b>
<b>Grand Total</b>	<b>3,575</b>	<b>(14)</b>	<b>3,561</b>

In 2016/17 there were 36 new properties (26 new builds) and 50 disposals giving a reduction of 14.

### 2. Arrears and Bad Debt Provisions

£000	Arrears as at 31 March	£000
409	Former Tenants	484
589	Current Tenants	694
<b>998</b>	<b>Total</b>	<b>1,178</b>
	<b>Bad Debt Provision as at 31 March:</b>	
<b>746</b>	Total provision in respect of uncollectable rents	<b>862</b>

### 3. Void Rent Loss

The figures below include void rent loss in relation to housing and garage rent loss.

2015/16	2016/17
<b>£000</b>	<b>£000</b>
150	175
Rent loss arising from void properties	

## 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

2015/16		2016/17
	<b>£000</b>	<b>£000</b>
<b>61,609</b>	<b>Gross Council Tax levied and contribution in lieu</b>	<b>62,159</b>
	Less:	
(4,378)	Council Tax Reduction Scheme	(4,174)
(5,882)	Other discounts and reductions	(5,913)
(1,036)	Write-off of uncollectable debts and allowance for impairment	(1,055)
191	Prior year adjustments	443
(140)	Transfer to Reserve	(158)
<b>50,364</b>	<b>Net Council Tax Income Transferred to General Fund</b>	<b>51,302</b>

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

	A Disabled	A	B	C	D	E	F	G	H	Total No. of Properties
Properties	na	1,113	3,721	8,345	8,276	10,480	7,031	6,656	630	46,252
Exemptions	na	(77)	(123)	(219)	(133)	(157)	(83)	(79)	(5)	(876)
<b>Chargeable Dwellings</b>	<b>0</b>	<b>1,036</b>	<b>3,598</b>	<b>8,126</b>	<b>8,143</b>	<b>10,323</b>	<b>6,948</b>	<b>6,577</b>	<b>625</b>	<b>45,376</b>
Disabled Reductions	0	(2)	(11)	(54)	(42)	(81)	(58)	(47)	(3)	(298)
Effectively Chargeable	2	11	54	42	81	58	47	3	0	298
<b>Adjusted Chargeable Dwellings</b>	<b>2</b>	<b>1,045</b>	<b>3,641</b>	<b>8,114</b>	<b>8,182</b>	<b>10,300</b>	<b>6,937</b>	<b>6,533</b>	<b>622</b>	<b>45,376</b>
Discounts (50% or reduced)	0	(13)	(52)	(67)	(54)	(55)	(52)	(50)	(8)	(351)
Single Discount (25%)	0	(701)	(2,104)	(3,627)	(2,887)	(2,816)	(1,449)	(1,046)	(64)	(14,694)
<b>Total Equivalent Dwellings</b>	<b>2</b>	<b>863</b>	<b>3,089</b>	<b>7,174</b>	<b>7,433</b>	<b>9,568</b>	<b>6,549</b>	<b>6,247</b>	<b>602</b>	<b>41,527</b>
Ratio to Band D	5/9	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9	--
<b>Band D Equivalent</b>	<b>1</b>	<b>575</b>	<b>2,403</b>	<b>6,377</b>	<b>7,433</b>	<b>11,695</b>	<b>9,459</b>	<b>10,411</b>	<b>1,204</b>	<b>49,558</b>
										Contributions in lieu
										<b>Total</b>
										<b>49,558</b>
										Provision for bad debts
										(991)
										<b>Council Tax Base</b>
										<b>48,567</b>

The numbers in the above table reflect the position as at March 2017.

### 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 2016/17 was £1,142 (2015/16 £1,142).

	A	B	C	D	E	F	G	H
Annual Charge	£761	£888	£1,015	£1,142	£1,396	£1,649	£1,903	£2,284

## 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

2015/16		2016/17
<b>£000</b>		<b>£000</b>
<b>32,032</b>	<b>Gross Rates levied and contributions in lieu</b>	<b>32,791</b>
	Less:	
(7,700)	Reliefs and other deductions	(7,631)
(321)	Write-offs of uncollectable debts and allowance for impairment	(336)
<b>24,011</b>	<b>Net Non-Domestic Rates Income</b>	<b>24,824</b>
(619)	Prior year adjustment	(328)
<b>23,392</b>	<b>Contribution to national non domestic rate pool</b>	<b>24,496</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 2016/17 was 48.4p (2015/16 48p).

Small businesses with cumulative rateable values of £25,000 or less are eligible for a discount on the rate of poundage of between 25% and 100%. Properties over £35,000 pay a supplement of 2.6p (2015/16 1.3p) on the rate poundage.

### d) Rateable Values and Number of Premises as at 1 April 2016

	Number of Subjects	Rateable Value
		<b>£000</b>
Industrial	512	9,115
Commercial	1,455	36,396
Others	552	22,332
Formula Valued (public undertakings)	10	30
<b>Total</b>	<b>2,529</b>	<b>67,873</b>

## Common Good and Trust Funds

### 1. 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 which 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

2015/16	Total	2016/17				Total
		Charitable Trusts (CTs)			Other CTs	
		R Lillie	W Patrick	EDC CTs		
£000	£000	£000	£000	£000	£000	
(7)	Income in year	(39)	0	0	0	(39)
31	Expenditure in year	15	101	6	0	122
<b>24</b>	<b>(Surplus)/Deficit</b>	<b>(24)</b>	<b>101</b>	<b>6</b>	<b>0</b>	<b>83</b>

#### b) Balance Sheet

2015/16	Total	2016/17				Total
		Charitable Trusts (CTs)			Other CTs	
		R Lillie	W Patrick	EDC CTs		
£000	£000	£000	£000	£000	£000	
<b>Assets:</b>						
193	External Investments	217	0	0	0	217
176	Internal Investments	29	0	5	28	62
1	Debtors	8	0	0	0	8
<b>370</b>	<b>Total Assets</b>	<b>254</b>	<b>0</b>	<b>5</b>	<b>28</b>	<b>287</b>
0	Less Current Liabilities	0	0	0	0	0
<b>370</b>	<b>Net Assets / (Liabilities)</b>	<b>254</b>	<b>0</b>	<b>5</b>	<b>28</b>	<b>287</b>
<b>Represented by:</b>						
321	Capital balance at 31 March	254	0	2	34	290
49	Revenue balance at 31 March	0	0	3	(6)	(3)
<b>370</b>	<b>Total Balance at 31 March</b>	<b>254</b>	<b>0</b>	<b>5</b>	<b>28</b>	<b>287</b>

#### c) Additional Fund Information

**R Lillie Charitable Trust** – Trust is for the establishment and upkeep of Lillie Art Gallery, Milngavie.

**W Patrick Charitable Trust** – Funds gifted in memory of Dr. W. Patrick for the purpose of establishment and upkeep of William Patrick Library, Kirkintilloch. During 2016/17 permission was granted by OSCR to transfer the funds to EDLCT and this was subsequently done in March 2017.

**East Dunbartonshire Council (EDC) Charitable Trusts** – These minor Trust Funds are held by the Council and mainly comprise legacies gifted for the upkeep of war memorials, memorial cairns and Regent Gardens, 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. Permission was granted by OSCR to disburse the £0.006m held in respect of Kirkintilloch War Memorial Trust and this was carried out during 2016/17.

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

### 2. 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 £0.878m as at 31 March 2017 (2015/16 £0.757m). 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

2015/16			2016/17	
General	T Crosbie		General	T Crosbie
£000	£000		£000	£000
0	(26)	Income in year	(1)	(142)
16	65	Expenditure in year	0	21
<b>16</b>	<b>39</b>	<b>(Surplus)/Deficit</b>	<b>(1)</b>	<b>(121)</b>

### b) Balance Sheet

2015/16			2016/17	
General	T Crosbie		General	T Crosbie
£000	£000		£000	£000
<b>Assets:</b>				
0	632	External Investments	0	723
82	118	Internal Investments	83	129
0	7	Debtors	0	26
<b>82</b>	<b>757</b>	<b>Total Assets</b>	<b>83</b>	<b>878</b>
0	0	Less Current Liabilities	0	0
<b>82</b>	<b>757</b>	<b>Net Assets / (Liabilities)</b>	<b>83</b>	<b>878</b>
<b>Represented by:</b>				
82	664	Capital balance at 31 March	83	755
0	93	Revenue balance at 31 March	0	123
<b>82</b>	<b>757</b>	<b>Total Balance at 31 March</b>	<b>83</b>	<b>878</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 above, all registered charities in Scotland are required to prepare annual accounts which must be externally scrutinised; this will apply to all Trusts registered with OSCR.

The Council has been reviewing the Trusts it currently holds, and Council of 15 November 2012 nominated four Members of East Dunbartonshire Council to act as Trustees for all registered Trusts held by the Council. New appointments were made by Council on 23 May 2017. The Council has been liaising with OSCR over its plans to re-organise the existing Trusts to maximise the potential use that can be made of the assets of the Trusts and the actions in the year are reported in section 1c Additional Fund Information on the previous page.

## Group Financial Statements

### Introduction

The *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17* 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.

### 1. 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 which 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 2017.

#### Joint Venture

The Code defines a joint venture as an entity which the authority has contractually agreed to share control with another party(ies) 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 which meets the definition of a joint venture at 31 March 2017, 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 and Bute Valuation Joint Board

### 2. Method of Consolidation

In accordance with the Code, the subsidiaries have been fully consolidated and have a financial year end of 31 March 2017. 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 2017 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 to be 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 2017 using the equity method as above, which is in compliance 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 2016/17 that share was as follows:

- Strathclyde Partnership for Transport – In 2016/17 the Council contributed 5.06% of budgeted operating costs (5.06% in 2015/16);
- Strathclyde Concessionary Travel Scheme Joint Committee – In 2016/17 the Council contributed 5.14% of estimated operating costs (5.14% in 2015/16);
- Dunbartonshire and Argyll and Bute Valuation Joint Board – In 2016/17 the Council contributed 24.95% of estimated operating costs (24.95% in 2015/16)

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.

2015/16 Restated			2016/17		
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>					
9,797	(175)	9,622	7,138	(153)	6,985
10,983	(4,137)	6,846	11,763	(2,492)	9,271
28,939	(11,230)	17,709	26,641	(10,299)	16,342
10,060	(2,100)	7,960	9,185	(2,168)	7,017
18,081	(1,957)	16,124	17,835	(1,974)	15,861
4,227	(2,388)	1,839	3,991	(2,720)	1,271
1,751	(960)	791	1,931	(848)	1,083
5,555	(636)	4,919	5,108	(810)	4,298
181	(160)	21	169	0	169
107,702	(3,250)	104,452	134,710	(3,546)	131,164
23,900	(19,970)	3,930	23,554	(19,584)	3,970
3,098	(702)	2,396	3,323	(834)	2,489
2,969	(165)	2,804	3,352	(366)	2,986
8,821	(940)	7,881	10,303	(1,110)	9,193
55,769	(13,044)	42,725	56,336	(15,031)	41,305
12,323	(1,073)	11,250	12,197	(1,073)	11,124
16,687	(13,211)	3,476	16,150	(13,393)	2,757
(10,044)	10,044	0	0	0	0
(694)	0	(694)	(1,946)	0	(1,946)
(500)	0	(500)	(1,007)	0	(1,007)
<b>309,605</b>	<b>(66,054)</b>	<b>243,551</b>	<b>340,733</b>	<b>(76,401)</b>	<b>264,332</b>
		(230)			(353)
		<b>(230)</b>			<b>(353)</b>
		15,475			15,179
		(42)			(33)
		6,354			5,141
		112			88
		(163)			(262)
		0			0
		0			0
		<b>21,736</b>			<b>20,113</b>
		(50,364)			(51,302)
		(25,188)			(25,550)
		(163,375)			(159,542)
		(19,533)			(14,467)
		<b>(258,460)</b>			<b>(250,861)</b>
		<b>6,597</b>			<b>33,231</b>
					{(1) + (2) + (3) + (4)}
		723			13,357
		(66,753)			68,435
		88			190
		<b>(65,942)</b>			<b>81,982</b>
		<b>(59,345)</b>			<b>115,213</b>

\*Depute Chief Executive – Place, Neighbourhood and Corporate Assets

^ Depute Chief Executive – Education, People and Business



## 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 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>1,394</b>	<b>(34,089)</b>	<b>(76,462)</b>	<b>(4,662)</b>	<b>(81,124)</b>	<b>(115,213)</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>1,394</b>	<b>1,523</b>	<b>(112,074)</b>	<b>(4,662)</b>	<b>(116,736)</b>	<b>(115,213)</b>
<b>Balance at 31 March 2017 carried forward</b>	<b>28,668</b>	<b>9,018</b>	<b>37,686</b>	<b>220,495</b>	<b>(3,612)</b>	<b>216,883</b>	<b>254,569</b>
<b>Balance at 31 March 2015</b>	<b>28,167</b>	<b>6,966</b>	<b>35,133</b>	<b>278,819</b>	<b>(3,515)</b>	<b>275,304</b>	<b>310,437</b>
<b>Movement in reserves during 2015/16:</b>							
<b>Total Comprehensive Income and (Expenditure)</b>	<b>(7,449)</b>	<b>658</b>	<b>(6,791)</b>	<b>61,571</b>	<b>4,565</b>	<b>66,136</b>	<b>59,345</b>
Adjustments between accounting basis and funding basis under regulations	7,821	0	7,821	(7,821)	0	(7,821)	0
Transfers to/from Other Statutory Reserves	0	0	0	0	0	0	0
<b>Increase or (Decrease) in the year</b>	<b>372</b>	<b>658</b>	<b>1,030</b>	<b>53,750</b>	<b>4,565</b>	<b>58,315</b>	<b>59,345</b>
<b>Balance at 31 March 2016 carried forward</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>

## Group Balance Sheet

The Group Balance Sheet shows as at 31 March 2017 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 2016		31 March 2017	
£000		£000	
740,166	Property, Plant and Equipment	728,378	
3,204	Heritage Assets	3,204	
1,414	Intangible Assets	973	
9,849	Investments in Associates & Joint Ventures	12,232	
25	Long-term Debtors	21	
<b>754,658</b>	<b>Long-term Assets</b>	<b>744,808</b>	
908	Current Intangible Assets	626	
22,000	Short-term Investments	0	
1,266	Assets Held for Sale	3,276	
594	Inventories	559	
14,744	Short-term Debtors	19,532	
6,721	Cash and Cash Equivalents	11,230	
<b>46,233</b>	<b>Current Assets</b>	<b>35,223</b>	
(15,733)	Short-term Borrowing	(22,610)	
(39,239)	Short-term Creditors	(39,038)	
(2,495)	Provisions	(3,610)	
(271)	Short-term Grants Receipts in Advance	(6)	
<b>(57,738)</b>	<b>Current Liabilities</b>	<b>(65,264)</b>	
(132,237)	Long-term Borrowing	(144,936)	
(718)	Liabilities in Associates	(1,521)	
(86,741)	Other Long-term Liabilities (PPP contract)	(84,369)	
(149,898)	Other Long-term Liabilities (Pensions)	(224,198)	
(362)	Provisions	(361)	
(3,415)	Long-term Grants Receipts in Advance	(4,813)	
<b>(373,371)</b>	<b>Long-term Liabilities</b>	<b>(460,198)</b>	
<b>369,782</b>	<b>Net Assets</b>	<b>254,569</b>	
36,163	Usable Reserves	37,686	
333,619	Unusable Reserves	216,883	
<b>369,782</b>	<b>Total Reserves</b>	<b>254,569</b>	

The audited accounts were issued on 26 September 2017.

I certify that this presents a true and fair view of the financial position of the Council at 31 March 2017, and its income and expenditure for the year ended 31 March 2017.

.....  
**Jamie Robertson CPFA**

**Chief Finance Officer**

26 September 2017

## 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.

2015/16 £000		2016/17 £000
<b>6,597</b>	<b>Net (Surplus) or Deficit on the Provision of Services</b>	<b>33,231</b>
(50,352)	Adjust for Non-Cash Movements	(62,131)
21,097	Adjust for Items in Net Surplus or Deficit that are Investing and Financing Activities	17,267
<b>(22,658)</b>	<b>Net Cash Flows from Operating Activities</b>	<b>(11,633)</b>
22,633	Investing Activities	24,025
9,482	Financing Activities	(16,901)
<b>9,457</b>	<b>Net (Increase) / Decrease in Cash and Cash Equivalents</b>	<b>(4,509)</b>
(16,178)	Cash and Cash Equivalents at 1 April	(6,721)
<b>(6,721)</b>	<b>Cash and Cash Equivalents at 31 March</b>	<b>(11,230)</b>
<b>31 March 2016</b>	<b>Cash and Cash Equivalents</b>	<b>31 March 2017</b>
<b>£000</b>		<b>£000</b>
(39)	Cash Held by Officers	(23)
1,269	Bank Current Accounts	(91)
(7,951)	Short-term Deposits (Temporary Investments)	(11,116)
<b>(6,721)</b>	<b>Total Cash and Cash Equivalents</b>	<b>(11,230)</b>

## 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 East Dunbartonshire Leisure and Culture Trust Limited and Dunbartonshire and Argyll and 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 2017.

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

2015/16			2016/17				
Group Share	Net Exp / (Inc)	Net Assets / (Liabs) Restated	Group Share	Net Exp / (Inc)	Net Assets / (Liabilities)		
%	£000	£000	%	£000	£000		
<b>Consolidation Basis</b>							
<b>Subsidiaries:</b>							
100.0	(2,965)	(1,666)	ED Leisure & Culture Trust	Voting Rights	100.0	4,887	(6,553)
100.0	0	0	Mugdock Country Park Joint C'ttee	Voting Rights	100.0	0	0
100.0	24	370	EDC Trust Funds	Trustees	100.0	83	287
100.0	55	839	EDC Common Good	Trustees	100.0	(122)	961
<b>Joint Ventures</b>							
50.0	(694)	694	ED Health & Social Care Partner.	Voting Rights	50.0	(1,946)	2,640
<b>Associates:</b>							
5.06	(1,175)	9,069	Strathclyde Partner. for Transport	Requisition	5.06	(436)	9,505
5.14	(2)	86	Strathclyde Conc. Travel C'ttee	Requisition	5.14	(1)	87
24.95	(466)	(718)	Dunbartonshire and Argyll and Bute Valuation Joint Board	Requisition	24.95	803	(1,521)
	<b>(5,223)</b>	<b>8,674</b>	<b>Total Consolidated Group Entities</b>			<b>3,268</b>	<b>5,406</b>
	(54,122)	361,108	<b>East Dunbartonshire Council</b>			111,945	249,163
	<b>(59,345)</b>	<b>369,782</b>	<b>Group Financial Statements</b>			<b>115,213</b>	<b>254,569</b>

## 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 and libraries as well as 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 on the basis of nomination by the Trade Union.

The total net liability position of the company at 31 March 2017 was £6.553m (2015/16 £1.666m) 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%:

2015/16		2016/17
£000		£000
10,095	Turnover	10,088
2,965	Profit or (loss) before tax	(4,887)
0	Taxation	0
2,965	Profit or (loss) after tax	(4,887)
95	Long term assets	51
4,387	Current assets	4,175
(2,154)	Current liabilities	(2,211)
(3,994)	Long term liabilities	(8,568)

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 2017 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 2017, the total net book value of the Park's buildings and equipment was £625,202 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 2016/17, the Partnership managed services worth £63.363m on behalf of the Council. This represented a full year of expenditure on adult social care services and on other services from 11 August 2016. 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 2016/17, the Council contributed £1.893m (2015/16 £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 2016/17, the Council contributed £0.219m (2015/16 £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 2016/17 the Council contributed £0.664m (2015/16 £0.665m) 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 2016/17 (2015/16 £0.071m, 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 2016/17 (2015/16 £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 8 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 £0.098m for services in 2016/17 (2015/16 £0.083m) and was entitled to a membership percentage of 2.42% in 2016/17 (2015/16 2.39%).

**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. The Trust is administered by West Dunbartonshire Council.

**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 £0.054m (5.49%) in 2016/17 (2015/16 £0.042m, 5.88%.)

## 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 £5.406m (£8.661m, 2015/16). 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:

2015/16	(Surplus) or Deficit on the Provision of Services	2016/17
£000		£000
193	East Dunbartonshire Leisure & Culture Trust	685
79	Common Good and Trust Funds	(39)
(694)	Integration Joint Board	(1,946)
(532)	Strathclyde Partnership for Transport	(1,067)
(2)	Strathclyde Concessionary Travel Scheme Joint Board	(1)
104	Dunbartonshire and Argyll and Bute Valuation Joint Board	116
<b>(852)</b>	<b>Total for Consolidated Group Entities</b>	<b>(2,252)</b>
7,449	East Dunbartonshire Council single entity accounts	35,483
<b>6,597</b>	<b>Total for Group Comprehensive Income &amp; Expenditure Statement</b>	<b>33,231</b>



## 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 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-Domestic Rate Income Account, Common Good and Trust Funds and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the surplus on the provision of services of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### Basis of opinion

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

#### Responsibilities of the Chief Finance Officer 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.

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

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

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

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

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

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## **Report on other requirements**

### **Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

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

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

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

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

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

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

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight  
Assistant Director of Audit  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT  
26 September 2017

## 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 which 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.