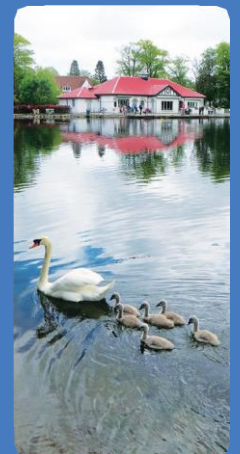
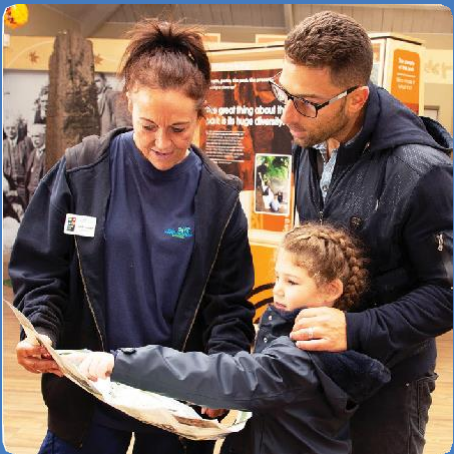


EAST RENFREWSHIRE COUNCIL  
AUDITED ANNUAL ACCOUNTS 2018/19







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# Management Commentary

## 1. Introduction

The purpose of this statement is to outline key messages regarding the objectives and strategy of the Council and its financial performance during 2018/19 and also to provide an indication of issues and risks which may impact upon the finances of the Council in the future

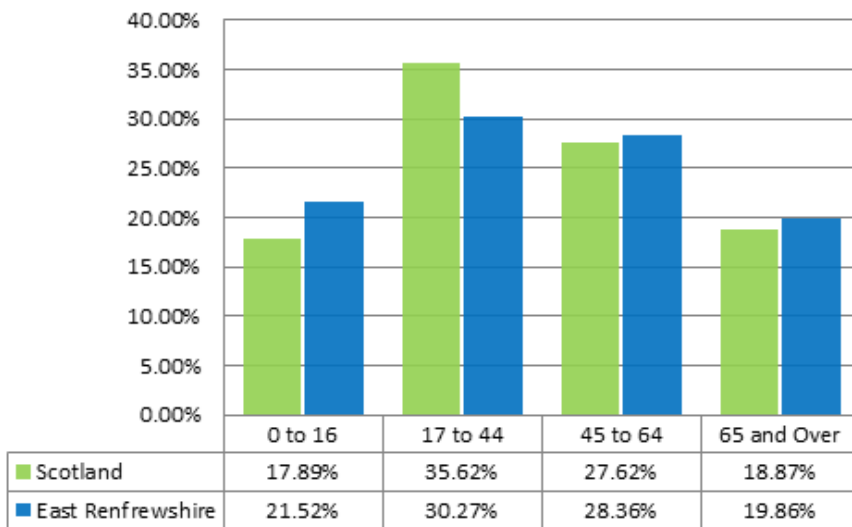
### East Renfrewshire and the local authority

East Renfrewshire is situated to the south of Glasgow. It covers an area of 67 sq miles (174 sq km). The north of the area comprises the urban areas of Giffnock, Newton Mearns, Clarkston, Thornliebank and Barrhead. Each of these settlements has a distinctive character. There is also an extensive hinterland to the south, within which the villages of Uplawmoor, Neilston, Waterfoot and Eaglesham are located. Approximately 16% of the area is urban and 84% is rural.



The population of East Renfrewshire at 30th June 2018 was 95,170\*. This is the Authority's highest ever population, with an increase from 2017 of 0.43%, and is 6.65% higher than the population in 2009. The 2016 Population Projections show that East Renfrewshire's population is to continue to steadily increase. The table below compares the current population of Scotland and East Renfrewshire, and shows that East Renfrewshire has a higher proportion of the population under the age of 16, compared to that of Scotland, as well as a higher proportion of those aged 45 to 64, and 65 and overs.

Table 1: Population Structure East Renfrewshire v Scotland 2018



**The population of East Renfrewshire increased by 0.43% between 2017 and 2018**

\*Source 2018 Mid Year Estimates, National Records of Scotland





# Management Commentary (cont'd)

The council provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and housing. There are eighteen councillors, across five multi-member wards, representing the interests of the community. There was no overall political control of the Council and the administration is made up of a coalition comprising of 5 SNP, 4 Labour and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.

## Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which, as certified by the Chief Financial Officer in the Statement of Responsibilities, present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2019.

The Accounts are subject to statutory audit and incorporate the information required by the Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements which follow show the Council's main sources of funding and provide an account of expenditure on service activities.

The accounts identify two major categories of expenditure, Revenue and Capital. Revenue spending covers the day to day operational expenditure for each service while capital spending covers expenditure on the acquisition, construction and improvement of assets which are required to provide services where the benefits will be derived over a number of years.



**The Financial Statements show the Council's main sources of funding**





# Management Commentary (cont'd)

## 2. Objectives and Strategy of the Council

East Renfrewshire Council's vision is to be a modern, ambitious council creating a fairer future with all. Following an in-depth analysis of need in our communities we have identified 5 ambitious outcomes we are delivering on with our partners as set out in our Community Plan incorporating Fairer East Ren.

Our Outcomes are:-

|   |  |   |
|---|--|---|
| <p><b>Early Years and Vulnerable Young People</b></p>           | <p>All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.</p>                               |    |
| <p><b>Learning, Life and Work</b></p>                           | <p>East Renfrewshire residents are healthy and active and have the skills for learning, life and work.</p>   |   |
| <p><b>Environment and Economy</b></p>                           | <p>East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.</p>   |  |
| <p><b>Safer, Supported Communities</b></p>                      | <p>East Renfrewshire residents are safe and live in supportive communities.</p>  |  |
| <p><b>Older People and People with Long-term Conditions</b></p> | <p>Older people and people with long-term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.</p> |  |



## Management Commentary (cont'd)

In order to deliver these outcomes well, we have also identified 5 capabilities that we need to excel at as a Council. These are the focus of our improvement work to maintain our position as one of the best councils in Scotland. They are:

### FIVE CAPABILITIES

#### PREVENTION



**We will ...**

Choose to prevent problems from occurring in our communities, rather than trying to fix what has already gone wrong.

**We will ...**

Instinctively take a preventative approach in our daily work, placing children, early years and the reablement of our elderly at the heart of how we plan services.

---

#### EMPOWERING COMMUNITIES



**We will ...**

Place a high value on listening to local people and asking for their views. We will work hand in hand to plan and deliver the services that truly make lives better.

**We will ...**

Listen, understand and respect, empowering our communities to do more for themselves.

---

#### DATA



**We will ...**

Seek and share meaningful information to plan our services and measure if we are getting it right. We will not collect numbers for the sake of it.

**We will ...**

Use data to plan, we will evidence what works, and we will benchmark what we do with those who might be doing it better.

---

#### MODERNISATION



**We will ...**

Continually look for ways to modernise and improve how we do things. We will make it easier for local people to access our services.

**We will ...**

Put a stop to bureaucracy and inefficient processes. We will focus on what is best for local people and not what is easiest for us.

---

#### DIGITAL



**We will ...**

Choose to be digital by default wherever possible. We will examine and digitise our processes to make it easy for people to access our services online.

**We will ...**

Encourage local people to use our website and social media to speak to us, and each other, 24/7, 365 days a year.



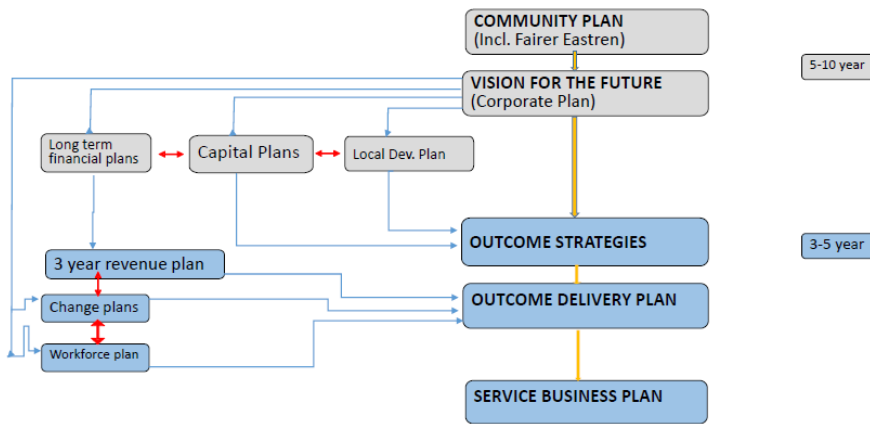


# Management Commentary (cont'd)

## Strategic Planning and Performance

The Council has well established strategic planning and performance management arrangements which are embedded into the work of all employees through a clear “golden thread”, that runs from our vision, strategic plans and outcomes through to services’ business plans and employees’ individual jobs. This approach aims to ensure employees know how they contribute to achieving our vision to be ‘A modern ambitious Council creating a fairer future for all’, with the ultimate aim to make people’s lives better.

Work has been carried out to improve the integration of our strategic and operational planning. The diagram below illustrates how our medium and long term strategies and operational plans integrate and the linkages between the plans.



The key focus for strategic planning this year is to further develop our long term strategy (10 year focus) for the council entitled, **Vision for the Future** which reflects the updated Community Plan and the long term ambition of the Council’s change programme. A draft version of the Vision for the Future was considered at Council in May 2019. The report contains updates on how the Council is working to achieve our five strategic outcomes listed below and sets out our ambitions for the next 10 years. The report also considers our current position and future direction on further developing the capabilities across the organisation around: Digital; Modernising How We Work; Data and Benchmarking; Empowering Communities and Prevention. Further work to develop the Vision for the Future corporate plan will take place over the latter half of 2019 taking into account the ongoing work on the Local Development Plan, the updated Capital Investment Strategy and City Region economic planning. We are also in the second year of a three year project to improve the quality and data focus of our services business plans.



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

The Community Plan (incorporating Fairer East Ren, East Renfrewshire's Local Outcome Improvement Plan) sets out the strategic outcomes and priorities for the Community Planning Partnership. Fairer East Ren is focused on tackling inequalities and closing the gap between communities. For the Partnership and the Council there are joint strategic outcomes that cover individuals' life stages:

- Early Years and Vulnerable Young People
- Learning, Life and Work
- Economy and Environment
- Safe, Supportive Communities
- Older People & People with Long-term Conditions

Our Outcome Delivery Plan (ODP) sets out how the Council will work towards achieving these outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency.

The Council's strategic performance management arrangements include six monthly reporting to Council on council wide performance, augmented by six monthly performance review meetings involving the Chief Executive, each Director and service managers.

We report on our performance using a balanced scorecard approach covering performance against a set of critical indicators and activities set out in our strategic plans. We cover:-

- Outcomes – What difference are we making to residents' lives? Are we achieving our local outcomes?
- Customers – Are we meeting customers' and stakeholders' needs and expectations?
- Efficiency – Do our business processes operate efficiently?
- People – Are we supporting our staff to ensure that the Council is delivering its outcomes?

### **Our Performance**

The Council's ODP sets out the Council's strategic priorities, targets and critical activities it will carry out to seek to achieve better outcomes for East Renfrewshire. Performance against the targets is reported to, and scrutinised by, elected members twice a year in December and June. The latest strategic performance 18/19 update to Council can be accessed on our website at: <https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24726&p=0>

Additional updates on progressing our strategic outcomes are summarised below.



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

### **Strategic Outcome 1 - All children in East Renfrewshire experience a stable and secure childhood and succeed.**

There has been considerable investment (£24m) in increasing the provision of nursery education. Work is underway to build five new nurseries in Busby, Clarkston, Eaglesham, Newton Mearns and Thornliebank. This investment will support us in almost doubling the amount of free childcare for families in 2020. We have delivered successful parenting programmes with improved outcomes for the families taking part. Our Champions Board continues to provide opportunities for looked after young children giving them the chance to influence policy and practice in services affecting them. There have also been improvements in the time taken to get accommodated children into permanent families.

### **Strategic Outcome 2 - East Renfrewshire residents are healthy and active and have the skills for learning, life and work.**

We continue to be top in Scotland for our pupils achieving high levels of educational attainment, with this year showing some of our best results to date. We have delivered exceptional performance in closing the attainment gap across our more deprived areas. Securing a positive future for many of our young children has also been achieved with over 97% of children going on to a positive destination (further education, training or employment) after school. The numbers of young people receiving accredited awards continues to improve year on year and East Renfrewshire now has the highest participation rate of all eligible young people in the Duke of Edinburgh Awards Scheme in Scotland.

### **Strategic outcome 3 - East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents**

Our City Deal projects funded from the £44m investment secured in 2015 are progressing well. Greenlaw Business Centre in Newton Mearns opened in June this year. Over £11m is being invested in housebuilding over the next five year. The Council has set a target of building 200 houses by 2025, we are on track with 41 houses built this year with new tenants moving in during 2019. Our recycling rates are top in Scotland (67%), we have met our street cleanliness target and exceeded our target on the number of businesses supported by our Business Gateway Services. We have invested in our parks and greenspaces with additional resources used to improve facilities at Cowan Park in Barrhead and Neilston's Kingston Playing fields.



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

### **Strategic Outcome 4 - East Renfrewshire residents are safe and live in supportive communities**

We have invested in digital CCTV resources to combat crime and anti-social behaviour. Our anti-social behaviour investigation services have been redesigned, all front line complaints are now handled by our Community wardens, who are achieving target response times. Targets were also met on the completion of Community Payback Orders. Our communities' staff have been working with local people developing Locality Plans and a wide range of other projects. To date three Participatory Budgeting events have been held in Barrhead, Thornliebank and Neilston with over 1,200 people taking part, casting over 9,000 votes for local community initiatives.

### **Strategic Outcome 5 - Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives**

A new service structure providing services for older people and people with long term conditions has been implemented this year focusing on 'getting it right' at the first point of contact. Significant improvement work is ongoing as part of the HSCP Fit for the Future Change programme. Key targets for reducing care needs as a result of the impact of re-ablement services have been met as well as the number of people reporting living 'where they want/as they want' needs met. There has been investment in increasing technology enabled care to over 2,500 residents across East Renfrewshire.

### **Partnership Working**

We cannot achieve our outcomes working alone and therefore our key performance indicators set also includes indicators from our main partners, East Renfrewshire Health and Social Care Partnership and East Renfrewshire Culture and Leisure Trust. An analysis of the indicators for 18/19 using the latest data available and where targets can be set, shows that 70% of indicators were met, 22% on track/within reasonable thresholds and 8% off track. We performed well across many key areas as highlighted above including recycling, supporting local businesses, and educational attainment. The areas where we were off target, for example absence levels, and where there is scope for improvement, services understand the reasons for performance levels and are taking appropriate action to address any issues.





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

### **Public Performance Reporting**

We present a range of in year reports on service specific and financial information to elected members and the public. Throughout the year, elected members, managers and employees use performance information to evaluate, scrutinise results and take action to drive and inform areas for further improvement across services.

We also report regularly to the public and our stakeholders on performance against our outcomes and priorities in many ways, with varied levels of detail for different audiences. We use a variety of mechanisms including social media and video content to show accountability, transparency and provide the public with good quality information about how the Council is performing.

To access further information on how the Council is performing, including trend data, planned activities, targets, and benchmarking information visit:-

[www.eastrenfrewshire.gov.uk/performance](http://www.eastrenfrewshire.gov.uk/performance)

### **Workforce Planning**

The key workforce priorities to support the Council delivery of services are:

- We have established a workforce with employees with the right skills, tools, environment and knowledge that meet the current and future demands
- We have engaged employees who are motivated to deliver our outcomes
- We have a workforce that has a digital approach and supports business transformation

The Council's Workforce Plan is aligned over the same three year period as the multiyear budget approach for 2018/19 – 2020/21. By planning over a three year period it allows for better prediction of potential changes to workforce shape and size and allows time to plan appropriately for these changes to the workforce. There is a workforce planning working group in place who regularly review the overall strategy and actions for our longer term Workforce Plan. Originally for the three years 2018/19 – 2020/21 it was forecast that the Council would have to identify savings of £28.5 million to balance the budget and it was estimated that there would be a reduction of around 265 posts from the current Council structure. Through our 3 year budget planning we have communicated these plans for a reduction in the workforce to our employees and it is hoped to achieve these reductions without the need for compulsory redundancies. It should be noted



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

that the Full Time Equivalent (FTE) reduction of 265 posts is indicative and will be dependent on the outcome of re-structure reviews and has not been re-visited since the three year budget savings requirement has increased to £32.8 million.

There will also be new roles and retraining opportunities created as the needs of the Council change and employees will be supported in these opportunities where appropriate. There are a number of transformational change programmes ongoing across the Council to ensure that we will have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. This will deliver rationalised management structures, new operating models and establish more cross-functional and collaborative working to improve resilience.

However at the same time as reducing our workforce in certain areas there are other areas of growth, notably the requirement for more employees to support the commitment by the Scottish Government to increased childcare hours. Over the next few years the Council expects more than 200 new early years support roles will be created as East Renfrewshire Council (ERC) works to implement new government targets, resulting in both recruitment and retraining opportunities. An Early Years Workforce Action Plan has been created to support this area of work and is being governed by the Education team. As we bring Early Years posts online these will be built in as new spending pressures in the relevant year therefore when these growth areas are considered there should be less of an impact on overall workforce in the Council by 2021.

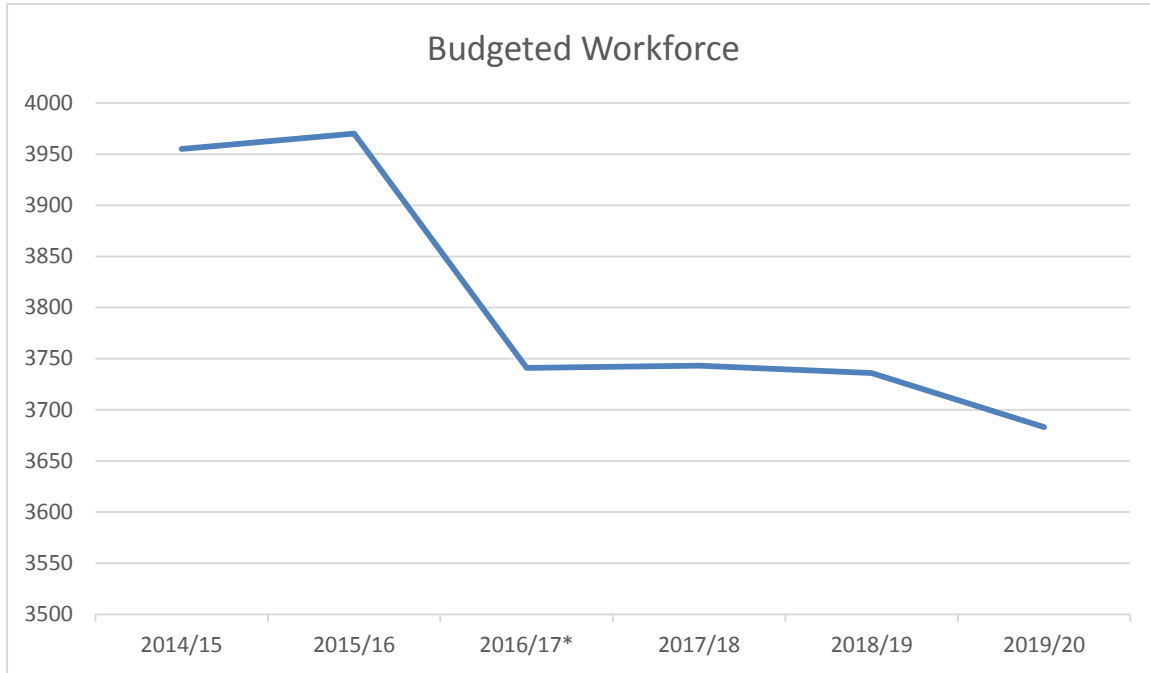
The chart below shows how the Council's budgeted workforce has changed in recent years:-



**The Council  
will create new  
roles and  
retraining  
opportunities**



# Management Commentary (cont'd)



\*The decrease in staff between 2015/16 and 2016/17 is due to the transfer of staff to East Renfrewshire Culture & Leisure Trust which commenced on 2 July 2015.

## Consultation and Communication with Workforce

East Renfrewshire Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council carries out periodic employee surveys, whereby the views of the workforce are sought in addition to regular consultations with staff and trade unions. The Corporate Communications Unit posts updates on the Council’s internal website along with the Chief Executive’s blog on a regular basis.



**The Council carries out periodic employee surveys.**

## Budget Process

Following the success of the Council’s previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2017, on setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2018/19 and indicative budgets for 2019/20 and 2020/21 were approved by Council in March 2018 and the indicative budgets were updated and approved in February 2019. The Council continues to actively seek out efficiencies in service delivery with around 70% of the approved savings measures for the Council, excluding the Integration Joint Board, for the financial years 2018/19 to 2020/21 relating to efficiencies or the Council’s Modern Ambitious Programme. It is estimated that savings



**Savings totalling £26.9m were agreed for 2018/2021**



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

totalling £32.8m will have to be found over the period 2018/2021. Savings totalling £26.9m have been agreed, leaving an estimated shortfall of £5.9m to be identified in 2020/21. Capital plans have also been agreed for the General Fund, covering the period 2019/20 to 2026/27, and Housing, covering the period 2019/20 to 2023/24.

### **Fund Balances**

Fund balances are shown on the Balance Sheet and further information is provided in the notes attached thereto.

The level of funds is adjusted annually to take account of the following factors:-

- (i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim in 2018/19 was for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. The actual balance for 2018/19 was 4.4% to help fund the budgeted use of reserves in 2019/20. (2017/18 4.3%)
- (ii) To earmark funding to equalise future PFI/PPP payments.
- (iii) To earmark funding to enable the upfront investment required to drive forward the Council's Modern Ambitious (Change) Programme.
- (iv) To earmark funding from unspent grants, Whitelee Windfarm, commuted sums and Devolved School Management.
- (v) To earmark funds for feasibility studies to be carried out on potential capital projects.
- (vi) To provide insurance voluntary excess costs.
- (vii) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
- (viii) To make provision for anticipated future capital liabilities.

## **3. Financial Performance in 2018/19**

### **Revenue Budget Performance**

#### **General Fund Revenue Balance**

The General Fund Balance at the end of the year is £29.603m. The opening balance of £26.430m has been increased by an overall surplus of £3.173m. Within the General Fund balance an amount of £2.799m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £7.660m has been earmarked as a Modernisation Fund. Further amounts of £0.692m, £2.493m, £3.202m and £0.200m have also been earmarked for the Whitelee Wind Farm, commuted sums, Devolved School Management and a Feasibility Fund. In closing the accounts £2.003m has been attributed to the Unspent Grants



**Driving forward the Council's Modern Ambitious (Change) Programme.**



**The opening balance has been increased by an overall surplus of £3.173m**

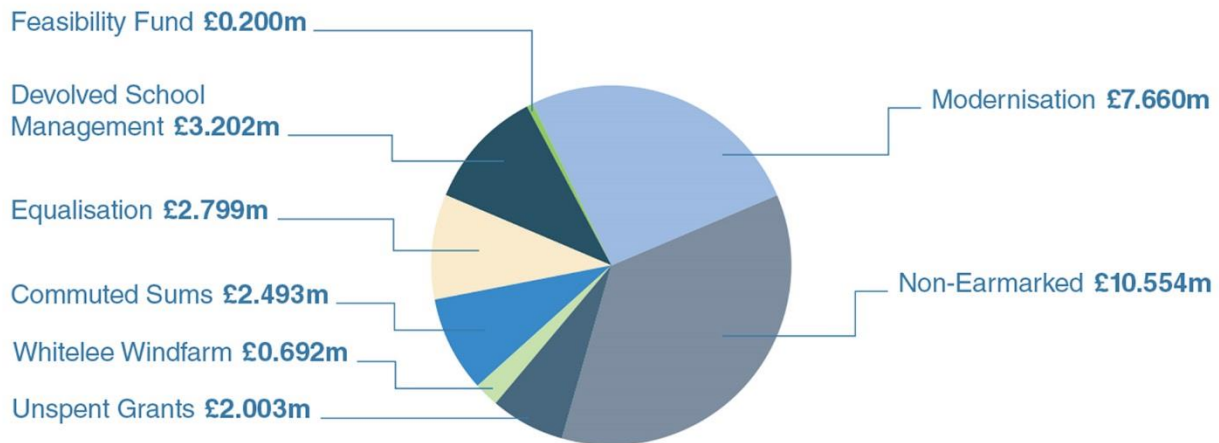




## **Management Commentary (cont'd)**

reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

The pie chart below shows the total amounts held within these funds, further information can be found in note 12.



## **Budget Monitoring**

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members consider revenue monitoring reports and detailed variance information at Cabinet five times per year with all reports providing year end forecasts. Financial and physical progress on each capital project is also reported to Cabinet four times per year. Copies of these reports are available on the Council's website: [www.eastrenfrewshire.gov.uk](http://www.eastrenfrewshire.gov.uk)

Links to the final 2018/19 reports can be found below:

[General Fund Capital Programme 18/19](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23968&p=0), approved by Cabinet on 14 March 2019  
(<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23968&p=0>)

[Estimated Revenue Budget Out-turn 2018/19](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24161&p=0), approved by Cabinet on 4 April 2019  
(<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24161&p=0>)



# Management Commentary (cont'd)

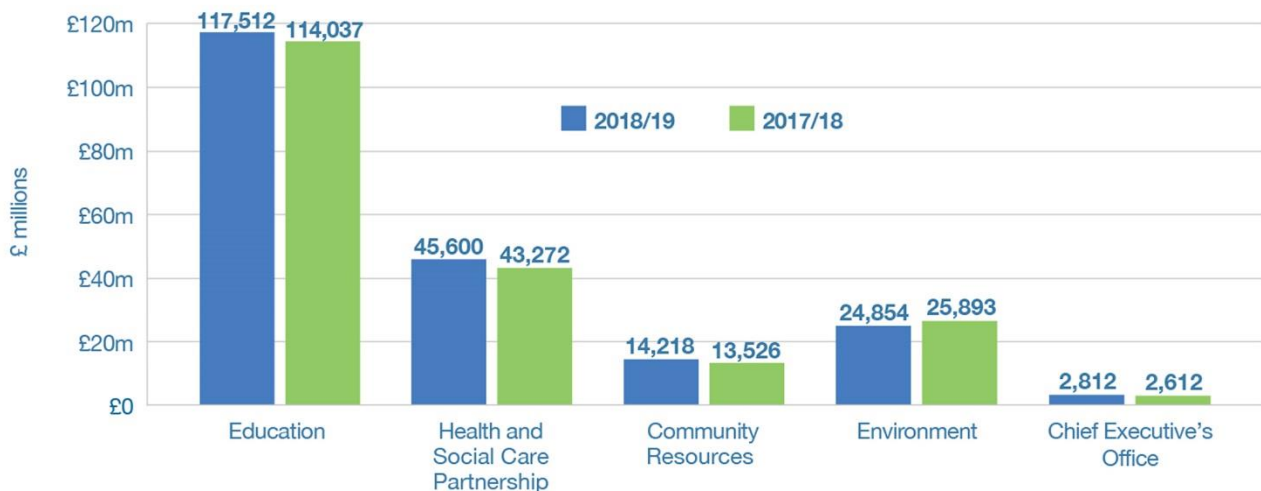
## Budget Performance

The overall surplus of £3.173m can be analysed as follows:

|   | £'000    | Actual<br>£'000  | Approved<br>Budget<br>£'000 | Over/(Under)<br>Spend<br>£'000 |
|---|----------|------------------|-----------------------------|--------------------------------|
| Net cost of services                                | 241,120  |                  |                             |                                |
| Capital charges                                     | (21,301) | 219,819          | 218,944                     | 875                            |
| Investment Income                                   |          | (181)            | (209)                       | 28                             |
| Capital financing costs                             |          | 9,623            | 10,263                      | (640)                          |
| Other   |          | (6,220)          | -                           | (6,220)                        |
| Contributions to/(from) reserves                    |          | 1,150            | (674)                       | 1,824                          |
| <b>To be met by Govt. grants and local taxation</b> |          | <b>224,191</b>   | <b>228,324</b>              | <b>(4,133)</b>                 |
| Aggregate External Finance                          |          | (177,250)        | (177,931)                   | 681                            |
| Council Tax   |          | (50,114)         | (50,393)                    | 279                            |
| <b>Total Funding</b>                                |          | <b>(227,364)</b> | <b>(228,324)</b>            | <b>960</b>                     |
| <b>SURPLUS FOR THE YEAR</b>                         |          | <b>(3,173)</b>   | <b>-</b>                    | <b>(3,173)</b>                 |

The surplus above, when considered with the Housing Revenue Account surplus of £89k (see Movement in Reserves Statement) totals £3,262k, as stated in the Expenditure and Funding Analysis (note 3). The graph below shows the net expenditure across Directorates, also as shown in note 3.

Net Expenditure across Directorates





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

### **Housing Revenue**

The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balance are shown on pages 115 and 117. These accounts deal with transactions in respect of managing the Council's housing stock, which cannot be subsidised by the Council. The opening balance of £1,629k has been increased by an operational surplus of £89k to give a year-end balance of £1,718k.

### **Capital Budget Performance**

The Council invested £41.187m in its General Services and Housing Capital Programmes. This was financed through a combination of sources shown in the table below.



**Housing  
Revenue has a  
year-end  
balance of  
£1,718k**



## Management Commentary (cont'd)

### Capital Expenditure and Funding



Major projects completed during this year include:-

- Eastwood Business Incubator and Innovation Centre
- Barrhead Foundry Refurbishment
- Road works (Eaglesham Road, Mearns Road)

### Assets and Liabilities

The Balance Sheet, on page 50, summarises the Council’s assets and liabilities as at 31 March 2019 and explanatory notes are provided. Total net assets have reduced by £32.254 million to £401.380 million. Within this headline figure, there has been significant change in both asset values and liabilities. Property, plant and equipment has increased by £21.979 million; on the liabilities side the pension liability has increased by £52.387 million. The major changes in the Council’s Balance Sheet between March 2018 and March 2019 are explained in more detail in the following paragraphs.





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

### **Non-Current and Current Assets**

Property, Plant & Equipment have increased in value by £21.979 million to £686.906 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of certain categories of assets was carried out during the year which was offset by in year depreciation charges. Cash equivalents have reduced by £4.083 million due to both revenue and capital cash flows. Long and short-term Debtors and Creditors increased by a net £5.400 million.

### **Short Term and Long Term Borrowing and Lease Finance**

The Council's net borrowing (including finance leases) decreased by £6.953m during the year. Short-term borrowing decreased by £10.027m and long-term borrowing and lease financing increased by £3.074m. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 42. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's gross external debt (including Finance leases) at the year end was £179.63 million which was made available to the Council from various sources, the most significant borrowing of which was from the Public Works Loans Board. This compares with the CFR of £188.78 million and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds to minimise the exposure to investment risk. The Council's Treasury Management Strategy Report for 2018/19 can be found:

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=21918&p=0>

The financing charges impacting on the Council Tax were £9.623m (2017/18 £9.862m) and on rents were £4.099m (2017/18 £4.016m).

The Council's average loans rate was 3.88% for 2018/19, an increase of 0.05% from 2017/18.



**The Council regulates its capital spending limits within a prudential framework.**



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

### **Provision, Contingencies and Write-offs**

The Council has provided £0.303 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 25) and the reasons for the provisions made are outlined in the Note. The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement. There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £218.58k for Council Tax, £897.82k for Non Domestic Rates and £281.79k of other debts which were approved by Cabinet.



**The Council  
has made  
provisions of  
£0.303m**



# Management Commentary (cont'd)

## Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2018/19 and the affordability of its ongoing commitments:-

| Financial Indicator   | Commentary  | 2018/19 Actual          | 2017/18 Actual        |                       |
|---|---|-------------------------|-----------------------|-----------------------|
| <b>Reserves</b>   |   |                         |                       |                       |
| Uncommitted General Fund Reserve as a proportion of Annual budgeted Net Expenditure       | Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy in 2018/19 is 4% of the following years budgeted net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the <i>Fund Balances</i> section above. | 4.4%                    | 4.3%                  |                       |
| Movement in the Uncommitted General Fund Balance  | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.   | 4.2%                    | 3.9%                  |                       |
| <b>Council Tax</b>  |   |                         |                       |                       |
| In-Year collection rate   | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.   | 97.64%                  | 97.76%                |                       |
| Ratio of Council Tax income to Overall Level of Funding                                   | Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. East Renfrewshire Council increased Council Tax bills by 3% in 2018/19.   | 22.0%                   | 21.4%                 |                       |
| <b>Financial Management</b>   |   |                         |                       |                       |
| Actual Outturn as a percentage of Budgeted Expenditure                                    | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of the budget monitoring as reported throughout the year. More details are provided in the <i>Revenue Budget Performance</i> section above.  | 98.2%                   | 96.3%                 |                       |
| Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget. |   | 1.6%                    | 3.5%                  |                       |
| <b>Debt/Long-term Borrowing</b>   |   | <b>ESTIMATE 2018/19</b> | <b>ACTUAL 2018/19</b> | <b>ACTUAL 2017/18</b> |
| Capital Financing Requirement (CFR) for the current year                                  | External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only.   | £215.9m                 | £188.78m              | £193.24m              |
| External Debt Levels for the current year   |   | £214.6m                 | £179.63m              | £176.54m              |



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

### **Review**

The Council's affairs have again been managed within its operational budget. All departments' outturn spend was within budget, with Directors taking early action in applying savings measures during 2018/19. The favourable outturn results from prudent management of staffing levels and non-filling of vacancies during the year, progression and early implementation of service reviews, staffing restructures and other efficiency measures as well as the maximisation of income receivable. As a result of effective financial management, transfers totalling £2.35m have been made to key earmarked reserves (Capital Reserve £0.550m, Modernisation Fund £1.0m, Equalisation Reserve Fund £0.2m, Repairs and Renewal Fund £0.4m and Feasibility Fund £0.2m). This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years. In particular, this will help alleviate pressure on the Council's Capital Programme and will facilitate one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year investment in Education continued with the construction phase of the new Maidenhill Primary School, due to be completed by summer 2019. Major works were also ongoing to meet the Scottish Government's requirement to increase the level of early years care provided to 1,140 hours by 2020. In addition, funding was provided to improve the digital infrastructure in our schools by investing in additional tablets and laptops.

The well-established mixed tenure scheme also benefited from additional funding to tackle some of the problems associated with communal repairs.

Through the City Deal, work continued on a major regeneration programme, across the Council, with a value of £44 million as part of our eight year capital investment plan.

In addition, the Council invested a further £1.5 million of capital resources in improving our roads and street lighting.



**The Council transferred £2.35m to reserves in 2018/19.**



**A further £1.5m of capital resources was invested in improving our roads and street lighting.**



## Management Commentary (cont'd)

### 4. Financial Outcomes and Key Risks

In common with all other organisations, the Council continues to be affected by the ongoing challenging conditions. The Council has continued to apply its economic downturn action plan to minimise the impact on the local community. The slowdown in capital receipts continued, however maintaining a prudent level of Capital Reserve has enabled the Council to continue significant investment. The Council's General Fund Capital Plan for the next 8 years delivers significant investment in schools, leisure facilities, roads investment and participation in the major City Deal regional infrastructure development etc. This has been enabled through the Council's prudent use of its resources. Similarly, the Housing Capital Plan for the next 5 years progresses significant investment to ensure that our housing stock continues to meet the Scottish Housing Quality Standard, that the new Energy Efficiency Standard for Social Housing is met and that stock of affordable housing is increased to meet rising demand.

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. However, limited increases in Council Tax are now permitted and it has been agreed to increase Council Tax by 3% per year in 2019/20 and 2020/21 to help mitigate these problems. The financial outlook remains unclear as a result of ongoing uncertainty on the UK's withdrawal from the European Union and of the move to Scotland's increasing fiscal autonomy which makes grant figures more difficult to predict. The position will continue to be monitored and it is hoped that the announcement of three year grant figures by the Scottish Government in December 2019 will assist in reducing this uncertainty. The Council's Crisis Resilience Management Team are closely monitoring the risks associated with the European Union withdrawal and a Brexit Co-ordinator post is being recruited. The UK Government has also previously indicated that replacement funding streams will be introduced to replace any European funding sources no longer available in future. In general, however, forecasts are that funding restrictions are not one-off but will continue for a number of years ahead. To ensure delivery of balanced budgets, this requires the Council to identify and implement savings measures to meet the spending and demand pressures it faces, and to keep its financial position under close review.





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

The Council has approached these difficulties as a part of a longer term financial strategy. This is set out in the Financial Planning paper approved by the Council and reviewed as part of the annual budget. This strategy is characterised through a number of factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserve levels and factored some utilisation of reserves into its plans to address future financial difficulties.

The proposed national move to multi-year grant settlements from 2020/21 will help the Council in its medium term financial planning.

The Financial Planning 2019-2025 paper was approved by Council on 28 February 2019:-

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23878&p=0>

As a consequence of the Council's programme of efficiency reviews 44 employees took the option of voluntary redundancy or other packages offered to them in 2018/19. This resulted in an in year cost of £2.02m.

The Council has put arrangements in place in response to the Welfare Reform Act 2012 to try to mitigate adverse impacts on residents, Council income and the wider economy within East Renfrewshire from the effects of welfare reforms. A group of senior officers and Community Planning partners have undertaken a number of areas of work and have reported to both Corporate Management Team (CMT) and Cabinet on a regular basis regarding estimated financial and other impacts, and the Cabinet has agreed plans to manage the reforms.

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

The Council is committed to undertaking practical risk management to maximise the opportunities available and to minimise losses. The Council recognises that risk management is one of the principal elements of good governance and a key contributor to ensuring a sound internal control environment.



**Spending decisions based on an assessment of medium to long-term needs.**



**44 employees took the option of voluntary redundancy.**





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



**The Council works to identify, evaluate and monitor all risks within its control.**

Through a systematic framework and process, the Council works to identify, evaluate, manage and monitor all risks within its control to protect its employees, assets, service delivery, reputation, and community and business partners. The overall aim is to raise awareness of risk throughout the council, to improve the services we provide to our community and operate more efficiently.

The Corporate Management Team, Elected Members and the Trade Unions have approved and fully support the Council's strategic risk register, Risk Management Strategy, policy and actions. This commitment secures sound management of risk within East Renfrewshire Council.

The Council's strategic risks have been identified, along with their corresponding risk controls and actions, and were reported to Committee for members' consideration in a report to Cabinet, 6 June 2019 (<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24532&p=0>). The highest risks relate to the increase service pressures arising from demographic changes in the area along with staff vacancies.

### **5. Supplementary Information**

#### **Private Finance Initiative/Public Private Partnership & Similar Contracts**

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract, ending August 2042, for the construction and maintenance of a replacement Barrhead High School delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. Details of all 4 projects are provided in note 36 to the core financial statements.

#### **Pension Liability**

The common position for employers participating in the Strathclyde Pension Fund is that the IAS19 calculation, based on a snapshot valuation as at 31 March 2019, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £134.841m, details of which can be found in note 40 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2019. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest



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

or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2019 was 2.4%. This year has seen an increase in pension liabilities to £669.782m (2017/18 £586.007m) which is principally because the financial assumptions at 31 March 2019 are less favourable than they were at 31 March 2018.

This increase in liabilities, offset by an increase in asset values (£534.941m, 2017/18 £503.553m), has resulted in a net increase in the overall pension liability of £52.387m. Employer contributions are based on the longer-term funding valuation as at 31st March 2017. The accounting policies adopted in the accounts reflect the full implementation of IAS19.

The appointed actuaries remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers provide sufficient security and future income to meet future pension liabilities.

### **Group Accounts**

The Council is represented on the Boards of the following companies that are limited by guarantee, have no share capital and have prepared their accounts on a going concern basis. It participates in these companies by means of Board membership and the provision of funding. The Council has not paid any consideration for its interests and thus there is no goodwill involved.

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet increases the Council's net worth by £15.302m. Full details of these interests are listed within the notes to the Group Accounts.

Strathclyde Partnership for Transport  
Strathclyde Concessionary Travel Scheme  
Renfrewshire Valuation Joint Board  
East Renfrewshire Culture & Leisure Trust  
East Renfrewshire Integration Joint Board

### **Integration Joint Board**

The Scheme of Integration for the East Renfrewshire Integration Joint Board was approved by the Scottish Government on 27 June 2015 and on the 7 October 2015 the IJB took on financial and strategic responsibility for the planning and delivery of health and social care services for the residents of East Renfrewshire.

Further information is provided in Note 2 to the Group Accounts.



**The Group  
Balance Sheet  
increases the  
Council's net  
worth by  
£15.302m.**



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

### **Events During 2018/19**

#### **Core Systems**

As part of its Modern Ambitious Programme (MAP) the Council is currently working to replace its core financial, payroll and human resources systems. A multi-disciplinary team has been established including stakeholders from all services to deliver this project over the coming year. Progress on all MAP projects is regularly reported to the Council's Corporate Management Team and will help the Council deliver its efficiency savings and transformation objectives.

#### **Transactions between Services**

As the service segments in the Comprehensive Income and Expenditure Statement (CIES) are not intended to cover the reporting requirements for International Financial Reporting Standard 8 all transactions between services have been removed, with the cost of the transaction remaining with the budget holder.

The comparative figures in the CIES have therefore been restated to fulfil this requirement.

#### **Capital Investment Strategy**

In December 2017, CIPFA issued revised Prudential and Treasury Management codes including the requirement for Councils to produce a Capital Strategy report to improve the overall understanding of the governance procedures and risk appetite entailed by the Treasury Strategy. In line with these regulations the Capital Investment Strategy report was presented to Council on 28 February 2019.

#### **Significant Trading Operations**

The Local Government Scotland Act 2003 sets out the requirements for statutory trading accounts to be maintained for "significant" trading operations only. The Council after adopting the CIPFA/LASAAC criteria concluded that there are no services that can be classified as a significant trading operation.

#### **Transfer of Budgets**

During the year efforts were made to better align budgets to spending needs. Underspends identified were used to address both in year and future pressures, with £826k being carried forward to cover anticipated one off pressures in 2019/20.

#### **Trade Union**

Below is a list of the information that local authorities are required to publish on facility time usage and spend by trade union representatives.



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

| <b>Relevant union Officials</b>  |                                      |
|--|--------------------------------------|
| Number of employees who were relevant union officials from 1 April 2018 to 31 March 2019 | Full-time equivalent employee number |
| 4  | 2.2FTE                               |

| <b>Percentage of time spent on facility time</b> |                     |
|--|---------------------|
| Percentage of time                               | Number of Employees |
| 0%   | -                   |
| 1-50%  | 1                   |
| 51%-99%  | 2                   |
| 100%   | 1                   |

| <b>Percentage of paybill spent on facility time</b> |              |
|---|--------------|
| Total Cost of Facility Time                         | £102,391     |
| Total Wage Bill                                     | £119,256,350 |
| Percentage of Wage Bill spent on facility time      | 0.085%       |

|   |      |
|---|------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100% |
|---|------|

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

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration. There are no significant post balance sheet events to report.



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

### **6. Where to Find More information**

#### **In this Document**

The requirements governing the format and content of Local Authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). An explanation of the financial statements which follow and their purpose is shown at the top of each relevant page. A glossary of terms can be found at the end of this document and this provides an explanation of the main terms used.

#### **On Our Website**

Further information on the Accounts can be obtained on the Council's website (<https://www.eastrenfrewshire.gov.uk/finance>) or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG. All links referred to in the accounts are not subject to External Audit Scrutiny.

#### **Acknowledgement**

I wish to record my thanks to staff in all departments for their co-operation in producing the Annual Accounts in accordance with the prescribed timescale. In particular the efforts of my own Accountancy Services staff are gratefully acknowledged.

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)  
26 September 2019

Councillor Tony Buchanan  
Leader of the Council  
26 September 2019

Lorraine McMillan  
Chief Executive  
26 September 2019



## **Statement of Responsibilities**

**PURPOSE:** This statement sets out the Council's responsibilities and those of the Chief Financial Officer

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

The Authority 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 Authority, that officer is the Head of Accountancy (Chief Financial Officer)
- 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 Council on 26 September 2019

Signed on behalf of East Renfrewshire Council  
Councillor Tony Buchanan  
Leader of the Council  
26 September 2019

### **The Head of Accountancy (Chief Financial Officer) Responsibilities**

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

#### **In preparing Annual Accounts, the Head of Accountancy (Chief Financial Officer) has:**

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

#### **The Head of Accountancy (Chief Financial Officer) has also:**

- kept proper 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 2019.

Margaret McCrossan CPFA Head of Accountancy  
(Chief Financial Officer)  
26 September 2019





## **Annual Governance Statement 2018/19**

East Renfrewshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively.

In discharging this accountability, our elected members and senior officers are responsible for putting in place proper arrangements for the governance of our business and the stewardship of our resources and assets. As part of this responsibility we review and adopt a Code of Corporate Governance annually.

The Code is built around these seven principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Our new Code of Corporate Governance for 2019-2020 and an update on the 2018/19 action plan was considered by the Audit and Scrutiny Committee on 20<sup>th</sup> June 2019. An update on progressing the improvement actions on last year's code, along with a copy of our updated Code of Corporate Governance, is available on our website <http://www.eastrenfrewshire.gov.uk/corporategovernance> following Audit and Scrutiny Committee approval. The Code is available from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).

The Council has also established various subsidiaries and associates to deliver services more effectively. While these organisations are required to implement their own organisational governance and management arrangements and structures, they also form part of the overall governance environment of the Council group.

### **Compliance with the Code**

This statement outlines East Renfrewshire Council's level of compliance with the code and also how the Council meets the Code of Practice on Local Authority Accounting in the UK based on International Financial Reporting Standards which details the requirements for an Annual Governance Statement.



## **Annual Governance Statement 2018/19 (cont'd)**

During 2018/19 we have reviewed the system of internal control and put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.

### **The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which we control our processes and engage with our residents and communities. It enables us to monitor the progress we have made towards achieving our strategic outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost-effective services.

Our 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 achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. Our system of internal control is based on an ongoing process designed to identify and prioritise the risks to achieving our outcomes, policies, aims and objectives; to evaluating the likelihood of those risks being realised and the impact should they be realised; and to managing them efficiently, effectively and economically.

Our system of internal financial control is based on a well-established framework of regular management and performance information, financial regulations, administrative procedures, management supervision, and a system of delegation and accountability. Regular reviews of information and systems within this framework are undertaken by our managers.

The system includes:

- A clear strategic direction set out in our Vision for the Future, supported by a set of values and five organisational capabilities.
- Sound financial management arrangements which comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- Clear roles and responsibilities for the Corporate Management Team (CMT) and elected members with well-defined delegation arrangements.
- A statutory section 95 officer and a Chief Financial Officer for East Renfrewshire Health and Social Care Partnership (HSCP) Integration Joint Board.
- An Audit and Scrutiny Committee which provides a robust and effective level of scrutiny and challenge.
- High standards of budgeting, monitoring and reporting.
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against forecasts
- Clearly defined capital expenditure guidelines.
- Matching of asset base to Council objectives in terms of suitability and sustainability and supported by appropriate asset management plans overseen by the Corporate Asset Management Group.
- Well embedded and systematic approach to risk management.



## **Annual Governance Statement 2018/19 (cont'd)**

- Well-developed corporate performance management arrangements with regular reports to CMT and Council. Performance management reports are also published on the Council's website.
- Procedures in place to help members and employees comply with relevant codes of conduct and policies
- The provision of extensive training and development opportunities for all elected members and employees

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

### **Review of effectiveness**

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by external auditors and other scrutiny agencies, regulators and inspectorates.

Internal Audit is our independent appraisal function established for the review of the internal control system as a service to the organisation. The service objectively examines, evaluates and reports on the adequacy of our internal control as a contribution to the proper, economic, efficient and effective use of the Council's resources.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The service undertakes an annual programme of work approved by the Audit and Scrutiny Committee based on a five year strategic plan. The strategic plan is based on a formal risk based audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

All our elected members and officers are committed to the concept of sound governance and the effective delivery of services. The Audit and Scrutiny Committee perform an effective scrutiny and challenge role in relation to the application of the Code of Corporate Governance and regularly monitor the performance of the Council's Internal Audit service and strategic risk management arrangements.

The results of reviewing the effectiveness of the governance framework are reported to the Audit and Scrutiny Committee and a plan to address any weaknesses and ensure continuous improvement of systems is in place.

The Chief Internal Auditor's annual Audit report for 2018/19 was presented to the Audit and Scrutiny Committee in June 2019. The Chief Internal Auditor indicated that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2019.

An inspection by the Care Inspectorate of our council-run Care at Home service highlighted a number of concerns and areas for improvement which we have been working on and will continue to deliver in 2019/20. We have established a comprehensive improvement plan with



## **Annual Governance Statement 2018/19 (cont'd)**

target completion dates to address the inspection's findings, which will see a wide range of activity and improvements to the following areas:

- Care and Support Personal Plans – new quality processes and documentation.
- Medication Management – updated policy, training module and assessment tool.
- Review of Personal Plans – improved planning and review processes.
- Complaints Handling – improved quality in our handling of complaints through training, better processes for compliance and more learning/analysis from complaints.
- Service Delivery Times – in consultation with service users and analysing visit time data we will aim to deliver the most appropriate scheduling for homecare.
- Staffing levels – addressing recruitment and retention issues within the service.
- Staff training and supervision – improving supervision and staff development within the service.

The improvement activities listed in the 2018/19 Code of Corporate Governance were completed:

- The development of the Essential Scrutiny Skills Programme for elected members is now complete with no demand for a follow-up session at this stage;
- The workforce plan with actions defined for 2018–21 will be updated annually with actions reviewed quarterly by the Workforce Planning Working Group;
- The update to the Information Security Policy is now complete and the Anti-Money Laundering policy was approved by Cabinet in August 2018 with finalised training due to be rolled out to key members of staff over summer 2019;
- The new Finance, Procurement, Payroll and HR system was procured and contract awarded in March 2019; and
- A co-ordinated approach to the development of key corporate plans linked to the future use and management of our finances, resources, assets and workforce was reported to Cabinet as part of Best Value Assurance recommendations in April 2018 and 2019.

In the relation to the issues around creditor services:

- The 3 actions for Creditors, highlighted in the 17/18 Management Report by Audit Scotland, have been completed.
- No further actions for Creditors were recommended in the 18/19 Management Report, by Audit Scotland that went to A&S Committee in June 2019.
- In July 2019, Internal Audit validated that the 2018/19 invoice payments performance indicator was materially correct.
- Creditors continue to operate under a strict compliance regime, guided by Standard Operating Procedures, and with regular performance reporting to senior management. The team has been very active in the development of the Council's new finance system which is due to go live at the beginning of September.

Other key achievements during 2018/19 included:

- Council Values were reviewed;
- New approach to service business planning introduced in 2018 and being rolled out over 2019;



## **Annual Governance Statement 2018/19 (cont'd)**

- Community Plan and Fairer East Ren (Local Outcome Improvement Plan) approved in June 2018;
- Outcome Delivery Plan for 2018-21 approved in May 2018;
- Quality Conversation Framework was launched.

Key actions planned for 2019/20 have been identified. These are:

- Full review of the Code of Conduct for Employees considering all related documents, changes to legislation, feedback from employees and managers and the principles in the CIPFA Code;
- Review of council values with stakeholder engagement resulting in the launch of updated council values which will be embedded through the provision of toolkits and briefings;
- The new “Anti-Fraud, Bribery and Theft” Strategy has been prepared for consideration by Corporate Management Team and an annual report on fraud will be submitted for approval in 2020 to ensure full compliance;
- Engagement of internal and external stakeholders for input into design of customer processes for implementation of a new Customer Experience system and Council website; and
- The current Performance Review and Development (PRD) scheme has been re-developed to move to Quality Conversations and promote a more open and constructive discussion between employees and managers with briefing sessions ongoing.
- Ensure our Care at Home improvement plan is fully implemented, with progress against actions and target dates continuing to be reported to the Integration Joint Board throughout 2019/20.
- New financial, payroll and human resources systems will be implemented.

### **Statement on the Role of the Chief Financial Officer in Local Government**

Under the Code we are required to state whether we comply with the CIPFA statement on the role of the Chief Financial Officer in Local Government and, if not, to explain how our governance arrangements deliver the same impact. The full statement is:-

The Chief Financial Officer in a public service organisation:

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



## **Annual Governance Statement 2018/19 (cont'd)**

To deliver these responsibilities the Chief Financial Officer:

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

The Council considers that it is fully compliant with the above statement.

### **Assurance**

We consider that the governance and internal control environment operating during 2018/19 provided reasonable and objective assurance, that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken.

Looking ahead well-established systems remain in place to review our governance and internal control environment. We will continue to review our corporate governance arrangements and closely monitor progress on the key improvement actions to support our ultimate aim: making people's lives better in East Renfrewshire.

Cllr Tony Buchanan  
Leader of the Council  
26 September 2019

L. McMillan  
Chief Executive  
On behalf of East Renfrewshire Council  
26 September 2019





# **Remuneration Report**

## **Remuneration Report**

This statement provides information on the remuneration and pension benefits for the senior officers and members of East Renfrewshire Council.

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

All information disclosed in sections 3 to 7 in this Remuneration Report will be audited by the Council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

### **1. Remuneration Policy for the Leader of the Council, Provost and Senior Councillors.**

The remuneration of councillors is regulated by the Local Governance (Scotland) 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.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 1 April 2018 the maximum annual salary for the Leader of East Renfrewshire Council was £28,326. The Regulations permit the council to remunerate one Provost and set out the salary that should be paid.

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 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £172,073. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.



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

In 2018/19 East Renfrewshire Council had 8 Senior Councillors, which is one less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £169,450. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full council on 28 March 2018 and is available at:

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=22114&p=0>

### **2. Remuneration Policy for Senior Employees**

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities circular, CO/150 sets the salary levels for the Chief Executive for the period 2018/19.

### **3. Remuneration of Senior Employees**

The Council has interpreted Senior Employees as including the Chief Executive, those staff reporting directly to the Chief Executive and any individual receiving more than £150k in year. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included, and in this regard the Chief Executive of East Renfrewshire Culture & Leisure Trust, whose salary is set by the Trust's Board, has been included. The remuneration paid to senior employees, including additional payments for election work, is set out in the following table. Generally senior employees are reimbursed for election work within the relevant financial year, however, payments made to the Chief Executive are phased as indicated below:-

|         |  |
|---------|--|
| 2017/18 | Scottish Parliamentary Elections, Thursday 5 May 2016<br>Scottish Local Government Elections, Thursday 4 May 2017<br>UK Parliamentary General Election, Thursday 8 June 2017 |
| 2018/19 | No elections took place  |

**Remuneration Report (cont'd)**

|   |                    | Salary,<br>Fees and<br>Allowances | Election<br>work | Compensation<br>for loss of<br>office | Taxable<br>Expenses<br>and<br>Allowances | Total              |
|---|--------------------|-----------------------------------|------------------|---------------------------------------|--|--------------------|
|   |                    | £                                 | £                | £                                     | £  | £                  |
| Lorraine McMillan<br>(Chief Executive)  | 2018/19<br>2017/18 | 116,239<br>114,597                | -<br>8,202       | -<br>-                                | -<br>-                                   | 116,239<br>122,799 |
| Mhairi Shaw<br>(Director of<br>Education)   | 2018/19<br>2017/18 | 106,156<br>104,534                | -<br>-           | -<br>-                                | -<br>-                                   | 106,156<br>104,534 |
| Julie Murray<br>(Chief Officer of East<br>Renfrewshire<br>Integration Joint<br>Board) | 2018/19<br>2017/18 | 107,767*<br>106,961*              | -<br>-           | -<br>-                                | -<br>-                                   | 107,767<br>106,961 |
| Kate Rocks<br>(Chief Social Work<br>Officer)  | 2018/19<br>2017/18 | 86,460**<br>83,483**              | -<br>-           | -<br>-                                | -<br>-                                   | 86,460<br>83,483   |
| Andrew Cahill<br>(Director of<br>Environment)   | 2018/19<br>2017/18 | 106,175<br>104,535                | -<br>-           | -<br>-                                | -<br>-                                   | 106,175<br>104,535 |
| Margaret<br>McCrossan<br>(Head of<br>Accountancy/<br>Chief Financial<br>Officer)      | 2018/19<br>2017/18 | 94,694<br>91,433                  | -<br>225         | -<br>-                                | -<br>-                                   | 94,694<br>91,658   |
| Caroline Innes<br>(Deputy Chief<br>Executive)   | 2018/19<br>2017/18 | 106,175<br>104,535                | -<br>175         | -<br>-                                | -<br>-                                   | 106,175<br>104,710 |
| Gerry Mahon<br>(Chief Officer –<br>Legal and<br>Procurement)                          | 2018/19<br>2017/18 | 74,971<br>72,381                  | -<br>275         | -<br>-                                | -<br>-                                   | 74,971<br>72,656   |
| Michelle Blair<br>(Chief Auditor)   | 2018/19<br>2017/18 | 53,658<br>51,803                  | -<br>275         | -<br>-                                | -<br>-                                   | 53,658<br>52,078   |
| Anthony McReavy<br>(Chief Executive<br>Culture & Leisure<br>Trust)                    | 2018/19<br>2017/18 | 82,341<br>73,813                  | -<br>-           | -<br>-                                | -<br>-                                   | 82,341<br>73,813   |

\* This salary is funded jointly with East Renfrewshire Integration Joint Board

\*\* This salary is funded jointly with NHS Greater Glasgow and Clyde



# Remuneration Report (cont'd)

## 4. Remuneration of Senior Councillors

| Name<br>(A)      | Position Held<br>(B)                                 | Notes | Salary - Payments made by Council |   |                              | Re-imbusement of Members Expenses        |   |  |  |  |   |   | Total Salary Expenses 2018/19 (E + M)<br>(N) £ | Total Salary Expenses 2017/18<br>(O) £ |                                  |
|------------------|--|-------|-----------------------------------|---|------------------------------|--|---|--|--|--|---|---|--|--|----------------------------------|
|                  |  |       | Gross Allowance<br>(C) £          | Less Recharge to External Bodies<br>(D) £ | Net Allowances Paid<br>(E) £ | Car & Van Expenses - Reimbursed<br>(F) £ | Other Travel Expenses - Reimbursed<br>(G) £ | Other Travel Expenses Paid Directly<br>(H) £ | Subsistence & Meals Expenses Reimbursed<br>(I) £ | Training & Conference Expenses Reimbursed<br>(J) £ | Training & Conference Expenses Paid Directly<br>(K) £ | Telephone & ICT Expenses Paid Directly<br>(L) £ |  |  | Total Expenses (F to L)<br>(M) £ |
| Buchanan         | Leader of the Council                                |       | 28,213                            | 0   | 28,213                       | 197                                      | 228   | 0  | 0  | 75   | 544   | 196   | 1,240  | 29,453                                 | 28,279                           |
| Convery          | Chair of Licensing Committee                         |       | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 0   | 49  | 49   | 21,209                                 | 19,089                           |
| Cunningham       | Deputy Provost                                       |       | 21,245                            | 0   | 21,245                       | 0  | 0   | 0  | 0  | 0  | 0   | 177   | 177  | 21,422                                 | 20,905                           |
| Devlin           | Convener for Housing & Maintenance Services          |       | 21,245                            | 0   | 21,245                       | 0  | 0   | 0  | 0  | 0  | 0   | 266   | 266  | 21,511                                 | 21,138                           |
| Fletcher         | Provost  |       | 21,160                            | 0   | 21,160                       | 0  | 29  | 2,807  | 0  | 0  | 0   | 228   | 3,064  | 24,224                                 | 24,415                           |
| Ireland          | Chair of Planning Applications/Local Review Body     |       | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 0   | 55  | 55   | 21,215                                 | 19,222                           |
| Lafferty         | Convener for Environment                             |       | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 0   | 231   | 231  | 21,391                                 | 21,815                           |
| Merrick          | Convener for Community Services and Community Safety |       | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 0   | 29  | 29   | 21,189                                 | 19,119                           |
| Miller           | Chair of Audit Committee                             |       | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 0   | 86  | 86   | 21,246                                 | 20,893                           |
| O'Kane           | Convener for Education and Equalities                | 1     | 21,160                            | 0   | 21,160                       | 0  | 0   | 0  | 0  | 0  | 544   | 61  | 605  | 21,765                                 | 21,396                           |
| <b>Sub total</b> | <b>Senior Councillors</b>                            |       | <b>218,823</b>                    | <b>0</b>                                  | <b>218,823</b>               | <b>197</b>                               | <b>257</b>                                  | <b>2,807</b>                                 | <b>0</b>   | <b>75</b>  | <b>1,088</b>  | <b>1,378</b>                                    | <b>5,802</b>                                   | <b>224,625</b>                         | <b>216,271</b>                   |
|                  | All other Councillors                                |       | 135,684                           | 0   | 135,684                      | 420                                      | 185   | 0  | 20   | 89   | 544   | 1,966   | 3,224  | 138,908                                | 132,925                          |
|                  | <b>Total</b>   |       | <b>354,507</b>                    | <b>0</b>                                  | <b>354,507</b>               | <b>617</b>                               | <b>442</b>                                  | <b>2,807</b>                                 | <b>20</b>  | <b>164</b>   | <b>1,632</b>  | <b>3,344</b>                                    | <b>9,026</b>                                   | <b>363,533</b>                         | <b>349,196</b>                   |

Notes: The undernoted receive remuneration as representatives of the Council on outside bodies.

1. Cllr O'Kane receives payment directly from Association for Public Service Excellence (APSE) in his position as the Chair of the Transport and Mechanical Services Group. For further details refer to [www.apse.org.uk](http://www.apse.org.uk)
2. East Renfrewshire Council leases a car for civic duties. The total cost of the car is £2,850. A proportion of these costs relate to Lord Lieutenant's use.



# Remuneration Report (cont'd)

## 5. Pension Entitlement

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees a final salary pension scheme operated until 31 March 2015. This means that pension benefits were based on the final year's pay and the number of years that person has been a member of the scheme. However, from April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.

There is no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Prior to 1 April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

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

The scheme's normal retirement age for both councillors and employees is their state retirement age.

From 1 April 2009 a six tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and scheme members' contribution rates for 2018/19 and 2017/18 are as follows:-

| Actual Pensionable pay                         | Contribution rate<br>2018/19 | Actual Pensionable Pay                         | Contribution rate<br>2017/18 |
|--|------------------------------|--|------------------------------|
| On pensionable pay up to and including £27,697 | 7.2%                         | On pensionable pay up to and including £26,259 | 7.2%                         |
| On pensionable pay £27,698 to £37,284          | 8.7%                         | On pensionable pay £26,260 to £35,349          | 8.7%                         |
| On pensionable pay £37,285 to £44,209          | 9.7%                         | On pensionable pay £35,350 to £41,914          | 9.7%                         |
| On pensionable pay £44,210 to £58,590          | 10.4%                        | On pensionable pay £41,915 to £55,549          | 10.4%                        |
| On pensionable pay £58,591 to £79,895          | 11.5%                        | On pensionable pay £55,550 to £75,749          | 11.5%                        |
| On pensionable pay above £79,896               | 11.9%                        | On pensionable pay above £75,750               | 11.9%                        |



## Remuneration Report (cont'd)

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

The pension entitlements of Senior Employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment, including any service with a Council subsidiary body.

| Name and Post Title   | In Year Pension contribution |         | 2018/19<br>Accrued Pension Benefits |          | Change in Accrued Pension Benefits since 31 March 2018 |          |
|---|------------------------------|---------|-------------------------------------|----------|--|----------|
|   | 2018/19                      | 2017/18 | Pension                             | Lump Sum | Pension  | Lump Sum |
|   | £                            | £       | £                                   | £        | £  | £        |
| Lorraine McMillan<br>(Chief Executive)  | 22,434                       | 22,117  | 23,609                              | 4,678    | 2,767  | 63       |
| Mhairi Shaw<br>(Director of Education)  | 20,488                       | 20,175  | 58,185                              | 115,758  | 3,156  | 1,741    |
| Julie Murray<br>(Chief Officer of East Renfrewshire Integration Joint Board)      | 20,799                       | 20,644  | 38,772                              | 56,800   | 2,862  | 854      |
| Kate Rocks<br>(Chief Social Work Officer)   | 16,687                       | 16,112  | 28,283                              | 37,425   | 2,635  | 1,266    |
| Andrew Cahill<br>(Director of Environment)  | 20,492                       | 20,175  | 53,620                              | 102,224  | 3,034  | 1,537    |
| Margaret McCrossan<br>(Head of Accountancy / Chief Financial Officer)             | 18,276                       | 17,647  | 50,254                              | 98,822   | 3,538  | 3,342    |
| Caroline Innes<br>(Deputy Chief Executive)  | 20,492                       | 20,175  | 50,796                              | 93,752   | 2,992  | 1,409    |
| Gerry Mahon<br>(Chief Officer – Legal and Procurement)                            | 14,469                       | 13,969  | 28,013                              | 42,886   | 2,406  | 1,456    |
| Michelle Blair<br>(Chief Auditor)   | 10,356                       | 9,998   | 20,115                              | 30,915   | 1,724  | 1,050    |
| Anthony McReavy<br>(Chief Executive of East Renfrewshire Culture & Leisure Trust) | 15,892                       | 14,246  | 5,845                               | -        | 1,685  | -        |





## Remuneration Report (cont'd)

### Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

| Name and Post Title   | In Year Pension contribution |              | 2018/19 Accrued Pension Benefits |               | Change in Accrued Pension Benefits since 31 March 2018 |               |
|---|------------------------------|--------------|----------------------------------|---------------|--|---------------|
|   | 2018/19<br>£                 | 2017/18<br>£ | Pension<br>£                     | Lump Sum<br>£ | Pension<br>£   | Lump Sum<br>£ |
| Cllr Buchanan – Leader of the Council                               | 5,445                        | 5,157        | 4,679                            | 1,481         | 719  | 78            |
| Cllr Convery – Chair of Licensing Committee                         | 4,084                        | 3,658        | 830                              | -             | 432  | -             |
| Cllr Cunningham – Deputy Provost                                    | -                            | -            | -                                | -             | -  | -             |
| Cllr Devlin – Convener for Housing & Maintenance                    | 4,100                        | 3,149        | 776                              | -             | 776  | -             |
| Cllr Fletcher – Provost   | 4,084                        | 4,436        | 6,293                            | 2,365         | 522  | (22)          |
| Cllr Ireland – Chair of Planning Applications / Local Review Body   | 4,084                        | 3,658        | 830                              | -             | 432  | -             |
| Cllr Lafferty – Convener for Environment                            | 4,084                        | 4,012        | 4,474                            | 1,594         | 501  | 40            |
| Cllr Merrick – Convener for Community Services and Community Safety | 4,084                        | 3,658        | 830                              | -             | 432  | -             |
| Cllr Miller – Chair of Audit Committee                              | 4,084                        | 3,956        | 3,989                            | 1,395         | 506  | 43            |
| Cllr O'Kane – Convener for Education & Equalities                   | 4,084                        | 4,028        | 2,463                            | -             | 442  | -             |

All senior members shown in the above table, with the exception of Cllr Cunningham, are members of the Local Government Pension Scheme.



## Remuneration Report (cont'd)

### 6. Remuneration of Employees

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

| Remuneration band   | 2018/19  |  |    |           | 2017/18 |          |  |    |           |
|---------------------|----------|--|----|-----------|---------|----------|--|----|-----------|
|                     | Teachers | Number of employees<br>Left during<br>year |    | Employees | Total   | Teachers | Number of employees<br>Left during<br>year |    | Employees |
| £50,000 - £54,999   | 46       | 2  | 24 | 72        | 36      | 2        | 14   | 52 |           |
| £55,000 - £59,999   | 35       | 4  | 7  | 46        | 31      | 1        | 6  | 38 |           |
| £60,000 - £64,999   | 4        | -  | 3  | 7         | 5       | 1        | 2  | 8  |           |
| £65,000 - £69,999   | 4        | 2  | 4  | 10        | 4       | -        | 4  | 8  |           |
| £70,000 - £74,999   | 1        | 3  | 2  | 6         | 1       | -        | 2  | 3  |           |
| £75,000 - £79,999   | 1        | 2  | 1  | 4         | 1       | -        | 10   | 11 |           |
| £80,000 - £84,999   | 1        | 1  | 9  | 11        | 1       | 2        | 1  | 4  |           |
| £85,000 - £89,999   | 2        | -  | 1  | 3         | 2       | -        | -  | 2  |           |
| £90,000 - £94,999   | -        | -  | 1  | 1         | -       | 1        | 1  | 2  |           |
| £95,000 - £99,999   | -        | -  | -  | -         | -       | 2        | -  | 2  |           |
| £100,000 - £104,999 | -        | -  | -  | -         | -       | -        | 3  | 3  |           |
| £105,000 - £109,999 | -        | -  | 4  | 4         | -       | -        | 1  | 1  |           |
| £110,000 - £114,999 | -        | -  | -  | -         | -       | -        | 1  | 1  |           |
| £115,000 - £119,999 | -        | -  | 1  | 1         | -       | -        | -  | -  |           |



## Remuneration Report (cont'd)

### 7. Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. The table below shows all exit packages that were accrued in the year, of which all were voluntary. Exit package values include redundancy, compensatory lump sum, pension strain and notional capitalised compensatory added years costs (CAY). The notional capitalised compensatory added years costs are based on an assessment of the present value of all future payments to the retiree until death. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on Scottish Public Pensions Agency calculations.

| (a)<br>Exit packages<br>Bands  | (b)<br>Number of Leavers |         | (c)<br>Cash Value |              | (d)<br>Notional CAY Value |              | (e)<br>Total cost of exit packages<br>in each band |           |
|--------------------------------|--------------------------|---------|-------------------|--------------|---------------------------|--------------|--|-----------|
|                                | 2018/19                  | 2017/18 | £<br>2018/19      | £<br>2017/18 | £<br>2018/19              | £<br>2017/18 | 2018/19  | 2017/18   |
| £0-£20,000                     | 15                       | 7       | 119,352           | 91,165       | 43,512                    | -            | 162,864  | 91,165    |
| £20,001-£40,000                | 7                        | 5       | 179,553           | 118,140      | 12,376                    | 26,101       | 191,929  | 144,241   |
| £40,001-£60,000                | 10                       | 3       | 445,138           | 148,307      | 65,595                    | -            | 510,733  | 148,307   |
| £60,001-£80,000                | 3                        | 3       | 121,545           | 196,186      | 74,581                    | -            | 196,126  | 196,186   |
| £80,001-£100,000               | 4                        | -       | 355,308           | -            | -                         | -            | 355,308  | -         |
| £100,001-<br>£150,000          | 5                        | 4       | 603,445           | 568,685      | -                         | -            | 603,445  | 568,685   |
| >£150,001                      | 0                        | 1       | -                 | 249,667      | -                         | 25,931       | -  | 275,598   |
| Total Cost included<br>in CIES | 44                       | 23      | 1,824,341         | 1,372,150    | 196,064                   | 52,032       | 2,020,405  | 1,424,182 |

Councillor Tony Buchanan  
Leader of the Council  
26 September 2019

Lorraine McMillan  
Chief Executive  
26 September 2019



# Comprehensive Income and Expenditure Statement

This statement 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 (or rents). The individual segments reflect the reporting structure of the Council. Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| Year Ended 31 March 2018 (Restated) |                      |                         |   | Year Ended 31 March 2019  |                      |                         |
|-------------------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000           | Gross Income<br>£000 | Net Expenditure<br>£000 |   | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 145,411                             | (20,919)             | 124,492                 | Education   | 139,461                   | (11,335)             | 128,126                 |
| 108,555                             | (64,507)             | 44,048                  | HSCP – Provision of Services  | 113,974                   | (65,951)             | 48,023                  |
| 36,447                              | (7,816)              | 28,631                  | Environment   | 40,736                    | (8,512)              | 32,224                  |
| 21,989                              | (15,766)             | 6,223                   | Corporate & Community – Community Resources   | 22,266                    | (15,839)             | 6,427                   |
| 346                                 | (185)                | 161                     | Chief Executive's Office  | 373                       | (115)                | 258                     |
| 5,825                               | (4,865)              | 960                     | Other Expenditure   | 14,006                    | (4,165)              | 9,841                   |
| 3,267                               | (259)                | 3,008                   | Support Services – Chief Executive's Office   | 3,489                     | (235)                | 3,254                   |
| 12,047                              | (1,939)              | 10,108                  | Support Services – Corp & Comm  | 11,531                    | (705)                | 10,826                  |
| 944                                 | (1,962)              | (1,018)                 | Support Services – Environment  | 2,597                     | (456)                | 2,141                   |
| <b>334,831</b>                      | <b>(118,218)</b>     | <b>216,613</b>          | <b>Cost of general fund services</b>  | <b>348,433</b>            | <b>(107,313)</b>     | <b>241,120</b>          |
| 13,335                              | (11,567)             | 1,768                   | HRA   | 16,278                    | (11,858)             | 4,420                   |
| <b>348,166</b>                      | <b>(129,785)</b>     | <b>218,381</b>          | <b>Cost of Services</b>   | <b>364,711</b>            | <b>(119,171)</b>     | <b>245,540</b>          |
|                                     |                      | (561)                   | Other operating expenditure (Note 13)   |                           |                      | (1,818)                 |
|                                     |                      | 14,463                  | Financing and investment income and expenditure (Note 14)                             |                           |                      | 12,295                  |
|                                     |                      | <u>(233,894)</u>        | Taxation and non-specific grant income (Note 15)                                      |                           |                      | <u>(245,766)</u>        |
|                                     |                      | <b>(1,611)</b>          | <b>(Surplus) or Deficit on Provision of Services</b>                                  |                           |                      | <b>10,251</b>           |
|                                     |                      | (48,028)                | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 26) |                           |                      | (11,718)                |
|                                     |                      | 2,089                   | Impairment losses on non-current assets charged to the Revaluation Reserve (Note 26)  |                           |                      | 125                     |
|                                     |                      | -                       | Surplus or deficit on revaluation of available for sale financial assets              |                           |                      | -                       |
|                                     |                      | <u>(103,800)</u>        | Actuarial (gains)/losses on pension assets/liabilities (Note 26)                      |                           |                      | <u>33,596</u>           |
|                                     |                      | <b>(149,739)</b>        | <b>Other Comprehensive (Income) and Expenditure</b>                                   |                           |                      | <b>22,003</b>           |
|                                     |                      | <b>(151,350)</b>        | <b>Total Comprehensive (Income) and Expenditure</b>                                   |                           |                      | <b>32,254</b>           |



# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

|  | Unallocated<br>General<br>Fund<br>Balance<br>£000 | Earmarked<br>General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Repairs &<br>Renewals<br>Fund<br>£000 | Insurance<br>Fund<br>£000 | Capital<br>Reserve<br>£000 | Total<br>Usable<br>Reserves<br>£000 | Unusable<br>Reserves<br>Restated<br>£000 | Total<br>Authority<br>Reserves<br>£000 |
|--|---|---|---------------------------------------|---------------------------------------|---------------------------|----------------------------|-------------------------------------|--|--|
| <b>Balance at 31 March 2018 carried forward</b>                                  | (10,133)  | (16,297)  | (1,629)                               | (8,410)                               | (1,934)                   | (11,454)                   | (49,857)                            | (383,777)                                | (433,634)                              |
| <b>Movement in reserves during 2018/19</b>                                       |   |   |                                       |                                       |                           |                            |                                     |  |  |
| Total Comprehensive Income and Expenditure                                       | 7,861   | -   | 2,390                                 | -                                     | -                         | -                          | 10,251                              | 22,003                                   | 32,254                                 |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | (10,068)  | -   | (2,479)                               | -                                     | -                         | 8,466                      | (4,081)                             | 4,081                                    | -                                      |
| <b>(Increase)/Decrease in 2018/19</b>  | <b>(2,207)</b>                                    | <b>-</b>  | <b>(89)</b>                           | <b>-</b>                              | <b>-</b>                  | <b>8,466</b>               | <b>6,170</b>                        | <b>26,084</b>                            | <b>32,254</b>                          |
| <b>Net transfer to or from reserves</b>  | <b>1,786</b>                                      | <b>(2,752)</b>                                  | <b>-</b>                              | <b>1,829</b>                          | <b>(16)</b>               | <b>(847)</b>               | <b>-</b>                            | <b>-</b>                                 | <b>-</b>                               |
| <b>Balance at 31 March 2019 carried forward</b>                                  | <b>(10,554)</b>                                   | <b>(19,049)</b>                                 | <b>(1,718)</b>                        | <b>(6,581)</b>                        | <b>(1,950)</b>            | <b>(3,835)</b>             | <b>(43,687)</b>                     | <b>(357,693)</b>                         | <b>(401,380)</b>                       |
|  |   |   |                                       |                                       |                           |                            |                                     |  |  |
| <b>Balance at 31 March 2017 carried forward</b>                                  | <b>(9,754)</b>                                    | <b>(11,604)</b>                                 | <b>(1,244)</b>                        | <b>(9,514)</b>                        | <b>(1,925)</b>            | <b>(19,568)</b>            | <b>(53,609)</b>                     | <b>(228,675)</b>                         | <b>(282,284)</b>                       |
| <b>Movement in reserves during 2017/18</b>                                       |   |   |                                       |                                       |                           |                            |                                     |  |  |
| Total Comprehensive Income and Expenditure                                       | (4,526)   | -   | 2,915                                 | -                                     | -                         | -                          | (1,611)                             | (149,739)                                | (151,350)                              |
| Adjustments between accounting basis & funding basis under regulations (Note 11) | (2,837)   | -   | (3,300)                               | -                                     | -                         | 11,500                     | 5,363                               | (5,363)                                  | -                                      |
| <b>(Increase)/Decrease in 2017/18</b>  | <b>(7,363)</b>                                    | <b>-</b>  | <b>(385)</b>                          | <b>-</b>                              | <b>-</b>                  | <b>11,500</b>              | <b>3,752</b>                        | <b>(155,102)</b>                         | <b>(151,350)</b>                       |
| <b>Net transfer to or from reserves</b>  | <b>6,984</b>                                      | <b>(4,693)</b>                                  | <b>-</b>                              | <b>1,104</b>                          | <b>(9)</b>                | <b>(3,386)</b>             | <b>-</b>                            | <b>-</b>                                 | <b>-</b>                               |
| <b>Balance at 31 March 2018 carried forward</b>                                  | <b>(10,133)</b>                                   | <b>(16,297)</b>                                 | <b>(1,629)</b>                        | <b>(8,410)</b>                        | <b>(1,934)</b>            | <b>(11,454)</b>            | <b>(49,857)</b>                     | <b>(383,777)</b>                         | <b>(433,634)</b>                       |



# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 1 April 2017<br>(restated)<br>£000 | 31 March 2018<br>(restated)<br>£000 |                                   | Notes | 31 March 2019<br>£000 |
|------------------------------------|-------------------------------------|-----------------------------------|-------|-----------------------|
| 587,805                            | 664,927                             | Property, Plant & Equipment       | 16    | 686,906               |
| 234                                | 234                                 | Heritage Assets                   | 17    | 234                   |
| 143                                | 236                                 | Intangible Assets                 | 18    | 386                   |
| 246                                | 241                                 | Investments                       | 20    | 271                   |
| <b>588,428</b>                     | <b>665,638</b>                      | <b>Long Term Assets</b>           |       | <b>687,797</b>        |
| 768                                | 1,037                               | Assets Held for Sale              | 19    | 1,034                 |
| 359                                | 344                                 | Short Term Intangible Assets      |       | 447                   |
| 349                                | 445                                 | Inventories                       |       | 456                   |
| 13,292                             | 13,768                              | Short Term Debtors                | 21    | 15,791                |
| 5,000                              | 24,000                              | Short Term Investments            |       | 33,997                |
| 35,530                             | 34,223                              | Cash and Cash Equivalents         | 23    | 30,140                |
| <b>55,298</b>                      | <b>73,817</b>                       | <b>Current Assets</b>             |       | <b>81,865</b>         |
| (1,764)                            | (2,617)                             | Short Term Borrowing              |       | (2,163)               |
| (3,126)                            | (4,308)                             | Finance Leases including PFI/PPP  | 20    | (4,732)               |
| (42,795)                           | (40,991)                            | Short Term Creditors              | 24    | (48,516)              |
| (155)                              | (130)                               | Provisions – short term           | 25    | (152)                 |
| <b>(47,840)</b>                    | <b>(48,046)</b>                     | <b>Current Liabilities</b>        |       | <b>(55,563)</b>       |
| (152)                              | (159)                               | Provisions – long term            | 25    | (151)                 |
| (62,568)                           | (79,951)                            | Long Term Borrowing               | 20    | (87,788)              |
| (341)                              | (92)                                | Long Term Creditors               | 20,24 | (93)                  |
| (72,825)                           | (90,481)                            | PFI/PPP Finance Lease             | 20    | (85,748)              |
| (173,922)                          | (82,454)                            | Defined Benefit Pension Liability | 40    | (134,841)             |
| (3,794)                            | (4,638)                             | Capital Grant Receipts in Advance | 32    | (4,098)               |
| <b>(313,602)</b>                   | <b>(257,775)</b>                    | <b>Long Term Liabilities</b>      |       | <b>(312,719)</b>      |
| <b>282,284</b>                     | <b>433,634</b>                      | <b>Net Assets</b>                 |       | <b>401,380</b>        |
| (53,609)                           | (49,857)                            | Usable Reserves                   | 12    | (43,687)              |
| (228,675)                          | (383,777)                           | Unusable Reserves                 | 26    | (357,693)             |
| <b>(282,284)</b>                   | <b>(433,634)</b>                    | <b>Total Reserves</b>             |       | <b>(401,380)</b>      |

Margaret McCrossan CPFA

Head of Accountancy (Chief Financial Officer)

The unaudited accounts were issued on 6 June 2019

The audited accounts, including amendments made following the audit, were authorised for issue on 26 September 2019





## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

| <b>2017/18</b>  | <b>2018/19</b>  |
|---|-----------------|
| <b>£000</b>   | <b>£000</b>     |
| (1,611) Net (surplus) or deficit on the provision of services   | 10,251          |
| (19,381) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)                            | (36,849)        |
| - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | -               |
| (20,992) Net cash flows from Operating Activities   | (26,598)        |
| 40,377 Investing Activities (Note 28)   | 23,729          |
| (18,078) Financing Activities (Note 29)   | 6,952           |
| 1,307 Net (increase) or decrease in cash and cash equivalents   | 4,083           |
| (35,530) Cash and cash equivalents at the beginning of the reporting period   | (34,223)        |
| <b>(34,223) Cash and cash equivalents at the end of the reporting period (Note 23)</b>  | <b>(30,140)</b> |



# **Notes to the Accounts**

## **1. ACCOUNTING POLICIES**

### **General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and the Local Government in Scotland Act 2003, section 12 of which requires the accounts 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 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on the basis that the Council is a going concern.

### **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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- 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.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **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 within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.



## **Notes to the Accounts (cont'd)**

In the 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 Authority's cash management.

### **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. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts.

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

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and flexi leave, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) 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 Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. In this respect East Renfrewshire have treated Strain on the Pension Fund payments as termination benefits.



## **Notes to the Accounts (cont'd)**

### **Post- Employment Benefits**

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

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government.
- The Local Government Pension Scheme, administered by Glasgow City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

### **The Local Government Pension Scheme**

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

- The liabilities of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value

The change in the net pensions liability is analysed into the following components:

- Service cost comprising:

**Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

**Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs

**Gains/losses on settlements** - the decrease in liabilities as a result of the council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 40) - credited to the Surplus on the



## **Notes to the Accounts (cont'd)**

Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.

**Net interest on the net defined benefit liability**, i.e. net interest expenses for the authority. The change during the period is the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

**The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

The Authority 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 accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Common Good & Trusts**

The Council administers a Common Good Fund. As part of the management agreements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to those assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in



## **Notes to the Accounts (cont'd)**

return for the management of the assets. The Council remains responsible for all costs and any income relating to the assets and is entitled to the use of the assets. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet and the associated capital accounting entries are reflected in the Common Good Fund. The Common Good Fund shares the same accounting policies for valuation and depreciation with the Council. For assets held within the council's balance sheet that are subsequently identified as common good, the following principles will be followed :

1. With respect to properties determined to be wholly common good (both land and buildings thereon) then these will be transferred to the common good fund.
2. For assets where common good land only forms part of the site, i.e. where the common good land is effectively inseparable from the larger council subjects, then the common good land element will be shown at nil value.
3. For those council buildings occupying wholly common good land that is included within the common good fund. The building element, unless itself common good, will be retained as part of the council's assets

In addition, the Council also administers a number of trusts which it is the sole trustee for.

### **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:-

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted

Events taking place after the date of authorisation for issues are not reflected in the Statements.

### **Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority 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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.





## **Notes to the Accounts (cont'd)**

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are all therefore classified as amortised cost. In previous years these assets, although still recorded as amortised costs, were classed as loans and receivables.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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. Annual credits to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

### **Expected Credit Loss Model**

Where material, the authority recognises expected credit losses on all of its financial assets held at amortised cost with the exception of deposits with Central Government and other Local Authorities. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

### **Fair Value Measurement**

Where the Council values its financial assets or liabilities at fair value it uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, as follows:-

**Level 1** - quoted prices (unadjusted) in active markets for identified assets or liabilities that the Council can access at the measurement date

**Level 2** - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For example, PWLB loans, fixed or variable rate deposits (less than one year)

**Level 3** - unobservable inputs for the asset or liability, e.g. PFI leases.



## **Notes to the Accounts (cont'd)**

### **Government Grants and Contributions**

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure or the General Fund, where the grant or contribution funds third party capital projects

### **Business Improvement Districts**

The Council is the billing authority for the Clarkston Business Improvement District, Giffnock Business Improvement District and Barrhead Business Improvement District. These are managed by an umbrella group led by the East Renfrewshire Chamber of Commerce and local businesses, who aim to promote and improve the respective areas for businesses and residents alike through publicised projects and events.

### **The Carbon Reduction Commitment Scheme**

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its third year of its second phase, which ended 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 as 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



## **Notes to the Accounts (cont'd)**

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.

### **Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

### **Statues**

Six statues created by 19th century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequeathed to the Council and are reported in the Balance Sheet at market value, as at May 2017, provided by the international auctioneers and valuers Bonhams.

### **Civic Regalia**

The chains of office used by the Provost and his partner are collectively known as Civic Regalia and are symbols of the authority of the Civic Office which the Provost holds.

There are 5 chains held in total at the Council's Headquarters. They are reported in the Balance Sheet at insurance valuation which is based on market value as at May 2017.

### **Number Plate**

The Council owns a private registration plate (HS 0) which is on the car which the Council uses for civic duties. The number plate is reported on the Balance Sheet at market value, as at March 2017, provided by Registration Transfers, the largest dealer in number plates in Britain.

There are no depreciation charges on the heritage assets as it is considered that they will have indeterminate lives and high residual value.

### **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 that future economic benefits or service potential will flow from the intangible asset to the Authority.

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



## **Notes to the Accounts (cont'd)**

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

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Authority cannot be determined by reference to an active market. The depreciable amount of any intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

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

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

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures requiring it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **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 under either the FIFO or weighted average costing formulas.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification

### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.



## **Notes to the Accounts (cont'd)**

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

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

The cost of an asset 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 Authority). 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.

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

- Infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current 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 current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Assets included in the Balance Sheet at current value are revalued on a five year rolling basis, in accordance with the guidelines provided within the Royal Institute of Chartered Surveyors Valuation Standards Manual. In addition, any material changes in the value of individual assets that arise between periodic valuations are immediately reflected in the Balance Sheet.



## **Notes to the Accounts (cont'd)**

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). No depreciation is charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

Where an item of Property, Plant and Equipment 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 Expenditure line in the Comprehensive Income and Expenditure Statement. 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. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Private Finance Initiative (PFI) and Similar Contracts**

East Renfrewshire Council operates 4 PFI/PPP and similar projects. Please see Note 36 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes





## **Notes to the Accounts (cont'd)**

to these contractors. As the Authority is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an average interest charge of 7.19% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

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

Provisions are made where an event has taken place that gives the Authority 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. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured as 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 than 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.



## **Notes to the Accounts (cont'd)**

### **Contingent Liabilities**

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

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

### **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 score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in 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 Authority.

### **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.



## **Notes to the Accounts (cont'd)**

### **2. PRIOR YEAR ADJUSTMENT**

There are two prior years adjustments reflected in the accounts:-

(A)

As a result of a change to the Accounting Code of Practice, internal transactions have now been removed from the individual segments in The Comprehensive Income and Expenditure Statement. Previously these had been shown as a total on a separate line below the *Cost of General Fund Services*. There is no impact on the individual net expenditure figures.

(B)

The Council has discovered an error with the calculation of the Social Rent Discount (SRD) factor, used in valuing the Housing stock. In order to calculate the SRD factor a comparison is made between the Council's average weekly rent and the average Scottish Government's Local Housing Allowance (LHA) rate.

The Council's weekly rental is charged on a 48 week basis and this had been compared with the LHA rate which is based on 52 weeks. It is now felt that this is not a fair comparison and the Council's 48 week rental, for the purposes of the calculation, has been recalculated on a 52 week basis, resulting in an increase to the SRD factor and an overall decrease in the value of the Housing stock.

The impact of this error in no way affects the actual amounts charged to residents however additional controls to ensure that such events do not occur in the future have been introduced. In order to correct this error, the Council has restated prior year balances for the period 2011/12 to 2017/18 and an additional complete Balance Sheet has been provided to reflect the beginning of the preceding period.

The following are the relevant extracted lines from the Balance Sheet showing the originally stated information and the amendments made. These adjustments are also reflected in the Comprehensive Income and Expenditure Statement and the unusable reserves shown in the Movement in Reserves Statement.

|                              | As Originally Stated<br>2017/18<br>£'000 | As Restated<br>2017/18<br>£'000 | Cumulative<br>Restatements<br>2017/18<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 678,351                                  | 664,927                         | (13,424)                                       |
| Unusable Reserves            | (397,201)                                | (383,777)                       | 13,424   |

|                              | As Originally Stated<br>2016/17<br>£'000 | As Restated<br>2016/17<br>£'000 | Cumulative<br>Restatements<br>2016/17<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 596,587                                  | 587,805                         | (8,782)  |
| Unusable Reserves            | (237,457)                                | (228,675)                       | 8,782  |

**Notes to the Accounts (cont'd)**

|                              | As Originally Stated<br>2015/16<br>£'000 | As Restated<br>2015/16<br>£'000 | Cumulative<br>Restatements<br>2015/16<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 555,735                                  | 543,999                         | (11,736)                                       |
| Unusable Reserves            | (260,128)                                | (248,392)                       | 11,736   |

|                              | As Originally Stated<br>2014/15<br>£'000 | As Restated<br>2014/15<br>£'000 | Cumulative<br>Restatements<br>2014/15<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 526,469                                  | 517,020                         | (9,449)  |
| Unusable Reserves            | (177,729)                                | (168,280)                       | 9,449  |

|                              | As Originally Stated<br>2013/14<br>£'000 | As Restated<br>2013/14<br>£'000 | Cumulative<br>Restatements<br>2013/14<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 485,468                                  | 476,978                         | (8,490)  |
| Unusable Reserves            | (174,446)                                | (165,956)                       | 8,490  |

|                              | As Originally Stated<br>2012/13<br>£'000 | As Restated<br>2012/13<br>£'000 | Cumulative<br>Restatements<br>2012/13<br>£'000 |
|------------------------------|--|---------------------------------|--|
| Property , Plant & Equipment | 504,583                                  | 485,965                         | (18,618)                                       |
| Unusable Reserves            | (206,445)                                | (187,827)                       | 18,618   |

|                              | As Originally Stated<br>2011/12<br>£'000 | As Restated<br>2011/12<br>£'000 | Restatements<br>2011/12<br>£'000 |
|------------------------------|--|---------------------------------|----------------------------------|
| Property , Plant & Equipment | 470,731                                  | 479,374                         | 8,643                            |
| Unusable Reserves            | (192,093)                                | (200,736)                       | (8,643)                          |



## Notes to the Accounts (cont'd)

### 3. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and Rent) payers how the funding available to the authority (i.e. Government Grants, Rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| Net Expenditure Chargeable to the General Fund and HRA Balances<br>£'000 | 2017/18<br>Adjustments<br>Between<br>Funding &<br>Accounting<br>Basis<br>(See Note 4)<br>£'000 | Net<br>Expenditure in<br>the<br>Comprehensive<br>Income &<br>Expenditure<br>Statement<br>£'000 |   | Net<br>Expenditure<br>Chargeable to<br>the General<br>Fund and<br>HRA<br>Balances<br>£'000 | 2018/19<br>Adjustments<br>Between<br>Funding &<br>Accounting<br>Basis<br>(See Note 4)<br>£'000 | Net<br>Expenditure in<br>the<br>Comprehensive<br>Income &<br>Expenditure<br>Statement<br>£'000 |
|--|--|--|---|--|--|--|
| 114,037  | 10,455   | 124,492  | Education   | 117,512  | 10,614   | 128,126  |
| 43,272   | 776  | 44,048   | HSCP - Provision of Services                                | 45,600   | 2,423  | 48,023   |
| 24,385   | 4,246  | 28,631   | Environment   | 22,941   | 9,283  | 32,224   |
| 5,680  | 543  | 6,223  | Corporate & Community – Community Resources                 | 5,988  | 439  | 6,427  |
| (82)   | 243  | 161  | Chief Executive's Office                                    | (57)   | 315  | 258  |
| 10,934   | (9,974)  | 960  | Other Expenditure   | 10,427   | (586)  | 9,841  |
| 2,694  | 314  | 3,008  | Support Services – Chief Executive's Office                 | 2,869  | 385  | 3,254  |
| 7,846  | 2,262  | 10,108   | Support Services – Corp & Comm                              | 8,230  | 2,596  | 10,826   |
| 1,508  | (2,526)  | (1,018)  | Support Services – Environment                              | 1,913  | 228  | 2,141  |
| <b>210,274</b>   | <b>6,339</b>   | <b>216,613</b>   | <b>Net Cost of General Fund Services</b>                    | <b>215,423</b>   | <b>25,697</b>  | <b>241,120</b>   |
| (209)  | 1,977  | 1,768  | HRA   | 98   | 4,322  | 4,420  |
| <b>210,065</b>   | <b>8,316</b>   | <b>218,381</b>   | <b>Cost of Services</b>                                     | <b>215,521</b>   | <b>30,019</b>  | <b>245,540</b>   |
| (785)  | 224  | (561)  | Other operating expenditure                                 | (831)  | (987)  | (1,818)  |
| 9,380  | 5,083  | 14,463   | Financing and investment income and expenditure             | 9,412  | 2,883  | 12,295   |
| (224,117)  | (9,777)  | (233,894)  | Taxation and non-specific grant income                      | (227,364)  | (18,402)   | (245,766)  |
| <b>(5,457)</b>   | <b>3,846</b>   | <b>(1,611)</b>   | <b>(Surplus) / Deficit on Provision of Services</b>         | <b>(3,262)</b>   | <b>13,513</b>  | <b>10,251</b>  |
| (22,602)   |  |  | Opening General Fund and HRA Balance                        | (28,059)   |  |  |
| (5,457)  |  |  | (Surplus) / Deficit on General Fund and HRA Balance in Year | (3,262)  |  |  |
| (28,059)   |  |  | <b>Closing General Fund and HRA Balance*</b>                | <b>(31,321)</b>  |  |  |

\*For a split of this balance between the General Fund and the HRA please see the Movement in Reserves Statement



## Notes to the Accounts (cont'd)

### 4. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

This note provides an analysis between the General Fund (surplus)/deficit and the Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services. Explanations of the adjustments shown are provided after the table below.

| 2018/19   | Adjustments<br>for Capital<br>Purposes | Net Charges<br>for Pension<br>Adjustments | Other<br>Differences | Total         |
|---|--|---|----------------------|---------------|
|   | £'000                                  | £'000                                     | £'000                | £'000         |
| Education   | 10,645                                 | 2,940                                     | (2,971)              | 10,614        |
| HSCP – Provision of Services                      | 235                                    | 2,194                                     | (6)                  | 2,423         |
| Environment                                       | 8,324                                  | 1,789                                     | (830)                | 9,283         |
| Corporate & Community – Community Resources       | 12                                     | 573                                       | (146)                | 439           |
| Chief Executive's Office                          | -                                      | -   | 315                  | 315           |
| Other Expenditure                                 | -                                      | 7,077                                     | (7,663)              | (586)         |
| Support Services – Chief Executive's Office       | -                                      | 413                                       | (28)                 | 385           |
| Support Services – Corp & Comm                    | 1,859                                  | 910                                       | (173)                | 2,596         |
| Support Services – Environment                    | 226                                    | -   | 2                    | 228           |
| <b>Net Cost of General Fund Services</b>          | <b>21,301</b>                          | <b>15,896</b>                             | <b>(11,500)</b>      | <b>25,697</b> |
| HRA   | 8,232                                  | 450                                       | (4,360)              | 4,322         |
| <b>Cost of Services</b>                           | <b>29,533</b>                          | <b>16,346</b>                             | <b>(15,860)</b>      | <b>30,019</b> |
| Other Operating Expenditure                       | (987)                                  | -   | -                    | (987)         |
| Financing & Investment Income & Expenditure       | -                                      | 2,445                                     | 438                  | 2,883         |
| Taxation & Non-Specific Grant Income              | (18,402)                               | -   | -                    | (18,402)      |
| <b>(Surplus)/Deficit on Provision of Services</b> | <b>10,144</b>                          | <b>18,791</b>                             | <b>(15,422)</b>      | <b>13,513</b> |

| 2017/18   | Adjustments<br>for Capital<br>Purposes | Net Charges<br>for Pension<br>Adjustments | Other<br>Differences | Total        |
|---|--|---|----------------------|--------------|
|   | £'000                                  | £'000                                     | £'000                | £'000        |
| Education   | 12,116                                 | 2,300                                     | (3,961)              | 10,455       |
| HSCP – Provision of Services                      | (1,106)                                | 1,883                                     | (1)                  | 776          |
| Environment                                       | 3,663                                  | 1,494                                     | (911)                | 4,246        |
| Corporate & Community – Community Resources       | -                                      | 478                                       | 65                   | 543          |
| Chief Executive's Office                          | -                                      | -   | 243                  | 243          |
| Other Expenditure                                 | -                                      | 149                                       | (10,123)             | (9,974)      |
| Support Services – Chief Executive's Office       | -                                      | 329                                       | (15)                 | 314          |
| Support Services – Corp & Comm                    | 1,540                                  | 702                                       | 20                   | 2,262        |
| Support Services – Environment                    | (2,529)                                | -   | 3                    | (2,526)      |
| <b>Net Cost of General Fund Services</b>          | <b>13,684</b>                          | <b>7,335</b>                              | <b>(14,680)</b>      | <b>6,339</b> |
| HRA   | 6,096                                  | 375                                       | (4,494)              | 1,977        |
| <b>Cost of Services</b>                           | <b>19,780</b>                          | <b>7,710</b>                              | <b>(19,174)</b>      | <b>8,316</b> |
| Other Operating Expenditure                       | 224                                    | -   | -                    | 224          |
| Financing & Investment Income & Expenditure       | -                                      | 4,622                                     | 461                  | 5,083        |
| Taxation & Non-Specific Grant Income              | (9,777)                                | -   | -                    | (9,777)      |
| <b>(Surplus)/Deficit on Provision of Services</b> | <b>10,227</b>                          | <b>12,332</b>                             | <b>(18,713)</b>      | <b>3,846</b> |





## **Notes to the Accounts (cont'd)**

### **Adjustments for Capital Purposes**

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.
- **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.

### **Net charge for the Pensions Adjustments**

Net charge 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 Consolidated Income and Expenditure Statement.

### **Other Differences**

This column records other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute in the service lines, and for:-

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts along with other loans fund adjustments.

### **5. ACCOUNTANCY STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2019/20 code:-

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

Overall, these amended standards are not expected to impact the Council's Annual Accounts.



# Notes to the Accounts (cont'd)

## 6. EXPENDITURE AND INCOME ANALYSED BY SERVICE

The authority's expenditure and income, segmented in line with the Council's Directorate and reporting structure, is analysed as follows:

### 2018/19

| Expenditure/Income                                    | Education       | HSCP            | Environment    | Corporate & Community – Community Resources | Chief Executive's Office | Other Expenditure | Support Services | Housing Revenue Account | Costs not included in a service | Total            |
|---|-----------------|-----------------|----------------|---|--------------------------|-------------------|------------------|-------------------------|---------------------------------|------------------|
|   | £'000           | £'000           | £'000          | £'000                                       | £'000                    | £'000             | £'000            | £'000                   | £'000                           | £'000            |
| <b>Expenditure</b>                                    |                 |                 |                |   |                          |                   |                  |                         |                                 |                  |
| Employee expenses                                     | 94,812          | 22,398          | 15,479         | 5,480                                       | 128                      | 7,077             | 13,620           | 3,953                   | 2,445                           | 165,392          |
| Other services expenses                               | 34,004          | 42,784          | 16,933         | 16,774                                      | 245                      | 6,929             | 1,912            | 4,093                   | -                               | 123,674          |
| Depreciation, amortisation, impairment                | 10,645          | 235             | 8,324          | 12  | -                        | -                 | 2,085            | 8,232                   | -                               | 29,533           |
| Interest payments                                     | -               | -               | -              | -   | -                        | -                 | -                | -                       | 10,888                          | 10,888           |
| Gain on the disposal of assets                        | -               | -               | -              | -   | -                        | -                 | -                | -                       | (987)                           | (987)            |
| <b>Total expenditure</b>                              | <b>139,461</b>  | <b>65,417</b>   | <b>40,736</b>  | <b>22,266</b>                               | <b>373</b>               | <b>14,006</b>     | <b>17,617</b>    | <b>16,278</b>           | <b>12,346</b>                   | <b>328,500</b>   |
| <b>Income</b>   |                 |                 |                |   |                          |                   |                  |                         |                                 |                  |
| Fees, charges and other service income                | (6,790)         | (16,484)        | (6,855)        | (749)                                       | (115)                    | (3,763)           | (1,396)          | (11,858)                | (831)                           | (48,841)         |
| Interest and investment income                        | -               | -               | -              | -   | -                        | -                 | -                | -                       | (1,038)                         | (1,038)          |
| Income from council tax                               | -               | -               | -              | -   | -                        | -                 | -                | -                       | (50,114)                        | (50,114)         |
| Government grants and contributions (Note 32)         | (4,545)         | (910)           | (1,657)        | (15,090)                                    | -                        | (402)             | -                | -                       | (195,652)                       | (218,256)        |
| <b>Total income</b>                                   | <b>(11,335)</b> | <b>(17,394)</b> | <b>(8,512)</b> | <b>(15,839)</b>                             | <b>(115)</b>             | <b>(4,165)</b>    | <b>(1,396)</b>   | <b>(11,858)</b>         | <b>(247,635)</b>                | <b>(318,249)</b> |
| <b>(Surplus)/Deficit on the Provision of Services</b> | <b>128,126</b>  | <b>48,023</b>   | <b>32,224</b>  | <b>6,427</b>                                | <b>258</b>               | <b>9,841</b>      | <b>16,221</b>    | <b>4,420</b>            | <b>(235,289)</b>                | <b>10,251</b>    |

### 2017/18

| Expenditure/Income                                    | Education       | HSCP            | Environment    | Corporate & Community – Community Resources | Chief Executive's Office | Other Expenditure | Support Services | Housing Revenue Account | Costs not included in a service | Total            |
|---|-----------------|-----------------|----------------|---|--------------------------|-------------------|------------------|-------------------------|---------------------------------|------------------|
|   | £'000           | £'000           | £'000          | £'000                                       | £'000                    | £'000             | £'000            | £'000                   | £'000                           | £'000            |
| <b>Expenditure</b>                                    |                 |                 |                |   |                          |                   |                  |                         |                                 |                  |
| Employee expenses                                     | 88,027          | 22,151          | 15,593         | 5,328                                       | 104                      | 149               | 12,234           | 3,924                   | 4,622                           | 152,132          |
| Other services expenses                               | 45,268          | 41,885          | 17,191         | 16,661                                      | 242                      | 5,676             | 5,013            | 3,315                   | -                               | 135,251          |
| Depreciation, amortisation, impairment                | 12,116          | (1,106)         | 3,663          | -   | -                        | -                 | (989)            | 6,096                   | -                               | 19,780           |
| Interest payments                                     | -               | -               | -              | -   | -                        | -                 | -                | -                       | 10,457                          | 10,457           |
| Gain on the disposal of assets                        | -               | -               | -              | -   | -                        | -                 | -                | -                       | 224                             | 224              |
| <b>Total expenditure</b>                              | <b>145,411</b>  | <b>62,930</b>   | <b>36,447</b>  | <b>21,989</b>                               | <b>346</b>               | <b>5,825</b>      | <b>16,258</b>    | <b>13,335</b>           | <b>15,303</b>                   | <b>317,844</b>   |
| <b>Income</b>   |                 |                 |                |   |                          |                   |                  |                         |                                 |                  |
| Fees, charges and other service income                | (17,105)        | (17,873)        | (6,200)        | (512)                                       | (185)                    | (4,865)           | (4,160)          | (11,567)                | (785)                           | (63,252)         |
| Interest and investment income                        | -               | -               | -              | -   | -                        | -                 | -                | -                       | (616)                           | (616)            |
| Income from council tax                               | -               | -               | -              | -   | -                        | -                 | -                | -                       | (48,072)                        | (48,072)         |
| Government grants and contributions (Note 32)         | (3,814)         | (1,009)         | (1,616)        | (15,254)                                    | -                        | -                 | -                | -                       | (185,822)                       | (207,515)        |
| <b>Total income</b>                                   | <b>(20,919)</b> | <b>(18,882)</b> | <b>(7,816)</b> | <b>(15,766)</b>                             | <b>(185)</b>             | <b>(4,865)</b>    | <b>(4,160)</b>   | <b>(11,567)</b>         | <b>(235,295)</b>                | <b>(319,455)</b> |
| <b>(Surplus)/Deficit on the Provision of Services</b> | <b>124,492</b>  | <b>44,048</b>   | <b>28,631</b>  | <b>6,223</b>                                | <b>161</b>               | <b>960</b>        | <b>12,098</b>    | <b>1,768</b>            | <b>(219,992)</b>                | <b>(1,611)</b>   |



## **Notes to the Accounts (cont'd)**

### **7. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into 4 Private Financial Initiatives/Public Private Partnership and similar contracts for the provision of educational buildings and the construction of a new road. The Council has considered the tests under IFRIC 12 and concluded that these are service concession arrangements.

### **8. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| <b>Item</b>   | <b>Uncertainties</b>  | <b>Effect if Actual Results differ Assumptions</b>   |
|---|---|--|
| Pensions 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 salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £65.9m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £11.8m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £52.7m |
| Pensions Liability – <i>McCloud/Sargeant</i> ruling | When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members. Due to a recent Court of Appeal ruling ( <i>McCloud/Sargeant</i> ) these protections may need enhanced to all eligible members. A firm of consulting actuaries was engaged   | The effects on the net pension liability as provided by the form of consulting activities results in an estimated increase of £6.767m. This is reflected in the Balance Sheet.   |



## **Notes to the Accounts (cont'd)**

|                 |   |   |
|-----------------|---|---|
|                 | to provide the Authority with expert advice about the assumptions to be applied.  |   |
| Property Values | The calculation of the value of certain non-current assets is dependent on their assumed level of occupancy.  | The all-risk yield applied reflects the relative security of the buildings anticipated income stream, any movement in this will have an impact on the valuation.          |
| Arrears         | At 31 March 2019, the Authority had a balance of sundry debtors of £2.58m. A review of significant balances suggested that an impairment of doubtful debts of 41.72% / £1.08m 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 doubling of the amount of the impairment of doubtful debts would require an additional £1.08m to be set aside as an allowance. |

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

### **9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – MATERIAL ITEMS OF INCOME AND EXPENSE**

The following items of income and expenditure are material and are shown net in the Comprehensive Income and Expenditure Account.

| <b>Disposal of property, plant and equipment</b> | <b>£000</b>    |
|--|----------------|
| Net Book Value of Assets                         | 1,120          |
| Sale Proceeds                                    | <u>(2,107)</u> |
| (Profit)/loss on disposal                        | (987)          |

### **10. EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 6 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **11. MOVEMENT IN RESERVES STATEMENT – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Movements can be traced through Note 26.

**Notes to the Accounts (cont'd)**

| 2018/19   | General<br>Fund<br>Balance<br>£000 | Housing<br>Revenue<br>Account<br>£000 | Capital<br>Reserve<br>£000 | Repairs and<br>Renewals<br>Fund<br>£000 | Insurance<br>Fund<br>£000 | Movement<br>in Unusable<br>Reserves<br>£000 |
|---|------------------------------------|---------------------------------------|----------------------------|---|---------------------------|---|
| <b>Adjustments primarily involving the Capital Adjustment Account</b>   |                                    |                                       |                            |   |                           |   |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                                    |                                       |                            |   |                           |   |
| Charges for depreciation and impairment of non-current assets   | (21,061)                           | (8,232)                               | -                          | -                                       | -                         | 29,293                                      |
| Amortisation of intangible assets (Note 18)   | (240)                              | -                                     | -                          | -                                       | -                         | 240   |
| Capital grants and contributions applied (Note 34)  | 15,383                             | 3,019                                 | -                          | -                                       | -                         | (18,402)                                    |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 9)   | 990                                | (3)                                   | -                          | -                                       | -                         | (987)                                       |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                                    |                                       |                            |   |                           |   |
| Statutory provision for the financing of capital investment   | 11,021                             | 3,009                                 | -                          | -                                       | -                         | (14,030)                                    |
| Capital expenditure charged against the General Fund and HRA balances   | 2,339                              | 300                                   | -                          | -                                       | -                         | (2,639)                                     |
| Voluntary provision for repayment of debt (Note 26)   | 108                                | -                                     | -                          | -                                       | -                         | (108)                                       |
| <b>Adjustments primarily involving the Capital Reserve:</b>   |                                    |                                       |                            |   |                           |   |
| Use of the Capital Reserve to finance new capital expenditure (Note 34)   | -                                  | -                                     | 8,466                      | -                                       | -                         | (8,466)                                     |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>  |                                    |                                       |                            |   |                           |   |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 26)                           | 9                                  | -                                     | -                          | -                                       | -                         | (9)   |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                                    |                                       |                            |   |                           |   |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)   | (18,222)                           | (569)                                 | -                          | -                                       | -                         | 18,791                                      |
| <b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>  |                                    |                                       |                            |   |                           |   |
| 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 (Note 26) | (395)                              | (3)                                   | -                          | -                                       | -                         | 398   |
| <b>Total Adjustments (see MIRS)</b>   | <b>(10,068)</b>                    | <b>(2,479)</b>                        | <b>8,466</b>               | <b>-</b>                                | <b>-</b>                  | <b>4,081</b>                                |

**Notes to the Accounts (cont'd)**

| 2017/18   | General Fund Balance £000 | Housing Revenue Account £000 | Capital Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Movement in Unusable Reserves £000 |
|---|---------------------------|------------------------------|----------------------|--------------------------------|---------------------|------------------------------------|
| <b>Adjustments primarily involving the Capital Adjustment Account</b>   |                           |                              |                      |                                |                     |                                    |
| <b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>   |                           |                              |                      |                                |                     |                                    |
| Charges for depreciation and impairment of non-current assets   | (13,605)                  | (6,096)                      | -                    | -                              | -                   | 19,701                             |
| Amortisation of intangible assets (Note 18)   | (79)                      | -                            | -                    | -                              | -                   | 79                                 |
| Capital grants and contributions applied (Note 34)  | 9,406                     | 371                          | -                    | -                              | -                   | (9,777)                            |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 9)   | 156                       | (380)                        | -                    | -                              | -                   | 224                                |
| <b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>  |                           |                              |                      |                                |                     |                                    |
| Statutory provision for the financing of capital investment   | 10,192                    | 2,913                        | -                    | -                              | -                   | (13,105)                           |
| Capital expenditure charged against the General Fund and HRA balances   | 2,611                     | 500                          | -                    | -                              | -                   | (3,111)                            |
| Voluntary provision for repayment of debt (Note 26)   | 225                       | -                            | -                    | -                              | -                   | (225)                              |
| <b>Adjustments primarily involving the Capital Reserve:</b>   |                           |                              |                      |                                |                     |                                    |
| Use of the Capital Reserve to finance new capital expenditure (Note 34)   | -                         | -                            | 11,500               | -                              | -                   | (11,500)                           |
| <b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>  |                           |                              |                      |                                |                     |                                    |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 26)                           | 9                         | -                            | -                    | -                              | -                   | (9)                                |
| <b>Adjustments primarily involving the Pensions Reserve:</b>  |                           |                              |                      |                                |                     |                                    |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)   | (11,728)                  | (604)                        | -                    | -                              | -                   | 12,332                             |
| <b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>  |                           |                              |                      |                                |                     |                                    |
| 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 (Note 26) | (24)                      | (4)                          | -                    | -                              | -                   | 28                                 |
| <b>Total Adjustments (see MIRS)</b>   | <b>(2,837)</b>            | <b>(3,300)</b>               | <b>11,500</b>        | <b>-</b>                       | <b>-</b>            | <b>(5,363)</b>                     |





## Notes to the Accounts (cont'd)

### 12. MOVEMENT IN RESERVES STATEMENT – TRANSFER TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

|                               | Balance at<br>31 March<br>2017<br>£000 | Transfers<br>Out<br>2017/18<br>£000 | Transfers<br>In 2017/18<br>£000 | Balance at<br>31 March<br>2018<br>£000 | Transfers<br>Out<br>2018/19<br>£000 | Transfers<br>In 2018/19<br>£000 | Balance at<br>31 March<br>2019<br>£000 |
|-------------------------------|--|-------------------------------------|---------------------------------|--|-------------------------------------|---------------------------------|--|
| <b>Non-earmarked Reserve</b>  | <b>(9,754)</b>                         | <b>6,984</b>                        | <b>(7,363)</b>                  | <b>(10,133)</b>                        | <b>1,786</b>                        | <b>(2,207)</b>                  | <b>(10,554)</b>                        |
| Equalisation Reserve          | (2,332)                                | -                                   | (226)                           | (2,558)                                | -                                   | (241)                           | (2,799)                                |
| Modernisation Fund            | (6,690)                                | 426                                 | (1,028)                         | (7,292)                                | 694                                 | (1,062)                         | (7,660)                                |
| Unspent Grants                | (323)                                  | 323                                 | (1,102)                         | (1,102)                                | 1,102                               | (2,003)                         | (2,003)                                |
| Whitelee Wind Farm            | (723)                                  | 244                                 | (301)                           | (780)                                  | 374                                 | (286)                           | (692)                                  |
| Commuted Sums                 | (1,536)                                | 56                                  | (814)                           | (2,294)                                | 248                                 | (447)                           | (2,493)                                |
| Devolved School<br>Management | -                                      | -                                   | (2,271)                         | (2,271)                                | 569                                 | (1,500)                         | (3,202)                                |
| Feasibility Fund              | -                                      | -                                   | -                               | -                                      | -                                   | (200)                           | (200)                                  |
| <b>General Fund Total</b>     | <b>(21,358)</b>                        | <b>8,033</b>                        | <b>(13,105)</b>                 | <b>(26,430)</b>                        | <b>4,773</b>                        | <b>(7,946)</b>                  | <b>(29,603)</b>                        |
| HRA                           | (1,244)                                | 500                                 | (885)                           | (1,629)                                | 300                                 | (389)                           | (1,718)                                |
| Capital Reserve               | (19,568)                               | 11,500                              | (3,386)                         | (11,454)                               | 8,466                               | (847)                           | (3,835)                                |
| Repairs and Renewal Fund      | (9,514)                                | 1,261                               | (157)                           | (8,410)                                | 3,035                               | (1,206)                         | (6,581)                                |
| Insurance Fund                | (1,925)                                | -                                   | (9)                             | (1,934)                                | -                                   | (16)                            | (1,950)                                |
| <b>Total</b>                  | <b>(53,609)</b>                        | <b>21,294</b>                       | <b>(17,542)</b>                 | <b>(49,857)</b>                        | <b>16,574</b>                       | <b>(10,404)</b>                 | <b>(43,687)</b>                        |

### 13. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

|  | 2018/19<br>£000 | 2017/18<br>£000 |
|--|-----------------|-----------------|
| (Gain)/Loss on disposal of Fixed Asset (See Note 9)                | (987)           | 224             |
| Rental Income – operating lease over property, plant and equipment | (831)           | (785)           |
|  | <b>(1,818)</b>  | <b>(561)</b>    |



## **Notes to the Accounts (cont'd)**

### **14. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

|  | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|--|-------------------------|-------------------------|
| Interest payable and similar charges                         | 10,885                  | 10,457                  |
| Pension interest costs and expected return on pension assets | 2,445                   | 4,622                   |
| Interest receivable and similar income                       | (1,038)                 | (616)                   |
| Expected credit loss   | 3                       | -                       |
| <b>Total</b>   | <b>12,295</b>           | <b>14,463</b>           |

### **15. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – TAXATION AND NON SPECIFIC GRANT INCOMES**

|                                   | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|-----------------------------------|-------------------------|-------------------------|
| Council Tax income                | (50,114)                | (48,072)                |
| Non domestic rates                | (14,318)                | (14,552)                |
| Non ring-fenced government grants | (162,932)               | (161,493)               |
| Capital grants and contributions  | (18,402)                | (9,777)                 |
| <b>Total</b>                      | <b>(245,766)</b>        | <b>(233,894)</b>        |

**Notes to the Accounts (cont'd)****16. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2018/19**

|  | Council Dwellings<br>£000 | Other Land and<br>Buildings<br>£000 | Vehicles, Plant,<br>Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under<br>Construction<br>£000 | PFI Assets Included in<br>Property, Plant and<br>Equipment<br>£000 | Total Property, Plant<br>and Equipment<br>£000 |
|--|---------------------------|-------------------------------------|---|-------------------------------|--------------------------|------------------------|--------------------------------------|--|--|
| <b>Cost or Valuation</b>   |                           |                                     |   |                               |                          |                        |                                      |  |  |
| <b>At 1 April 2018</b>   | <b>167,467</b>            | <b>323,202</b>                      | <b>36,555</b>                                     | <b>37,578</b>                 | <b>2,989</b>             | <b>3,532</b>           | <b>3,555</b>                         | <b>145,967</b>   | <b>720,845</b>                                 |
| Additions  | 4,181                     | 7,857                               | 4,627   | 2,542                         | 333                      | 9                      | 19,929                               | 1,284  | 40,762   |
| Donations  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 7,705                     | 3,885                               | -   | -                             | -                        | -                      | -                                    | -  | 11,590   |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,603)                   | (5,300)                             | -   | -                             | -                        | -                      | -                                    | -  | (6,903)  |
| Derecognition – disposals  | -                         | -                                   | (720)   | -                             | -                        | -                      | -                                    | -  | (720)  |
| Derecognition – other  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| Assets reclassified (to)/from Held for Sale  | -                         | -                                   | -   | -                             | -                        | (1,034)                | -                                    | -  | (1,034)  |
| Assets transferred to/from assets under construction   | 2,550                     | 5,124                               | -   | -                             | -                        | -                      | (7,674)                              | -  | -  |
| Assets transferred to/from Surplus Assets  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| Depreciation written back on revaluation   | (5,441)                   | (1,899)                             | -   | -                             | -                        | -                      | -                                    | -  | (7,340)  |
| <b>At 31 March 2019</b>  | <b>174,859</b>            | <b>332,869</b>                      | <b>40,462</b>                                     | <b>40,120</b>                 | <b>3,322</b>             | <b>2,507</b>           | <b>15,810</b>                        | <b>147,251</b>   | <b>757,200</b>                                 |
| <b>Accumulated Depreciation and Impairment</b>   |                           |                                     |   |                               |                          |                        |                                      |  |  |
| At 1 April 2018  | (9,063)                   | (1,165)                             | (27,634)  | (9,963)                       | -                        | (26)                   | -                                    | (8,067)  | (55,918)                                       |
| Depreciation charge  | (6,443)                   | (6,587)                             | (4,373)   | (1,256)                       | -                        | (26)                   | -                                    | (3,705)  | (22,390)                                       |
| Depreciation written out on revaluation and disposal   | 5,442                     | 1,899                               | 673   | -                             | -                        | -                      | -                                    | -  | 8,014  |
| Derecognition  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| <b>At 31 March 2019</b>  | <b>(10,064)</b>           | <b>(5,853)</b>                      | <b>(31,334)</b>                                   | <b>(11,219)</b>               | <b>-</b>                 | <b>(52)</b>            | <b>-</b>                             | <b>(11,772)</b>  | <b>(70,294)</b>                                |
| <b>Net Book Value At 31 March 2019</b>   | <b>164,795</b>            | <b>327,016</b>                      | <b>9,128</b>                                      | <b>28,901</b>                 | <b>3,322</b>             | <b>2,455</b>           | <b>15,810</b>                        | <b>135,479</b>   | <b>686,906</b>                                 |
| <b>At 31 March 2018</b>  | <b>158,404</b>            | <b>322,037</b>                      | <b>8,921</b>                                      | <b>27,615</b>                 | <b>2,989</b>             | <b>3,506</b>           | <b>3,555</b>                         | <b>137,900</b>   | <b>664,927</b>                                 |



# Notes to the Accounts (cont'd)

## Comparative Movements in 2017/18

|  | Council Dwellings<br>£000 | Other Land and<br>Buildings<br>£000 | Vehicles, Plant,<br>Furniture & Equipment<br>£000 | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Surplus Assets<br>£000 | Assets Under<br>Construction<br>£000 | PFI Assets Included in<br>Property, Plant and<br>Equipment<br>£000 | Total Property, Plant<br>and Equipment<br>£000 |
|--|---------------------------|-------------------------------------|---|-------------------------------|--------------------------|------------------------|--------------------------------------|--|--|
| <b>Cost or Valuation</b>   |                           |                                     |   |                               |                          |                        |                                      |  |  |
| <b>At 1 April 2017 (Restated)</b>  | <b>154,881</b>            | <b>260,778</b>                      | <b>33,330</b>                                     | <b>35,717</b>                 | <b>2,908</b>             | <b>3,297</b>           | <b>26,374</b>                        | <b>119,493</b>   | <b>636,778</b>                                 |
| Additions  | 4,576                     | 4,808                               | 4,091   | 1,861                         | 81                       | -                      | 35,885                               | 1,733  | 53,035   |
| Donations  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 14,548                    | 28,870                              | -   | -                             | -                        | -                      | -                                    | 2,598  | 46,016   |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 138                       | 4,453                               | -   | -                             | -                        | -                      | -                                    | (3,320)  | 1,271  |
| Derecognition – disposals  | (1,116)                   | -                                   | (1,052)   | -                             | -                        | -                      | -                                    | -  | (2,168)  |
| Derecognition – other  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| Assets reclassified (to)/from Held for Sale  | (264)                     | (70)                                | -   | -                             | -                        | (790)                  | -                                    | -  | (1,124)  |
| Assets transferred to/from assets under construction   | -                         | 30,187                              | 186   | -                             | -                        | -                      | (58,704)                             | 28,331   | -  |
| Assets transferred to/from Surplus Assets  | -                         | (1,025)                             | -   | -                             | -                        | 1,025                  | -                                    | -  | -  |
| Depreciation written back on revaluation   | (5,296)                   | (4,799)                             | -   | -                             | -                        | -                      | -                                    | (2,868)  | (12,963)                                       |
| <b>At 31 March 2018 (Restated)</b>   | <b>167,467</b>            | <b>323,202</b>                      | <b>36,555</b>                                     | <b>37,578</b>                 | <b>2,989</b>             | <b>3,532</b>           | <b>3,555</b>                         | <b>145,967</b>   | <b>720,845</b>                                 |
| <b>Accumulated Depreciation and Impairment</b>   |                           |                                     |   |                               |                          |                        |                                      |  |  |
| At 1 April 2017  | (8,181)                   | (203)                               | (24,418)  | (8,811)                       | -                        | -                      | -                                    | (7,360)  | (48,973)                                       |
| Depreciation charge  | (6,178)                   | (5,761)                             | (4,268)   | (1,152)                       | -                        | (26)                   | -                                    | (3,575)  | (20,960)                                       |
| Depreciation written out on revaluation and disposal   | 5,296                     | 4,799                               | 1,052   | -                             | -                        | -                      | -                                    | 2,868  | 14,015   |
| Derecognition  | -                         | -                                   | -   | -                             | -                        | -                      | -                                    | -  | -  |
| <b>At 31 March 2018 (Restated)</b>   | <b>(9,063)</b>            | <b>(1,165)</b>                      | <b>(27,634)</b>                                   | <b>(9,963)</b>                | <b>-</b>                 | <b>(26)</b>            | <b>-</b>                             | <b>(8,067)</b>   | <b>(55,918)</b>                                |
| <b>Net Book Value At 31 March 2018</b>   | <b>158,404</b>            | <b>322,037</b>                      | <b>8,921</b>                                      | <b>27,615</b>                 | <b>2,989</b>             | <b>3,506</b>           | <b>3,555</b>                         | <b>137,900</b>   | <b>664,927</b>                                 |
| <b>At 31 March 2017 (Restated)</b>   | <b>146,700</b>            | <b>260,575</b>                      | <b>8,912</b>                                      | <b>26,906</b>                 | <b>2,908</b>             | <b>3,297</b>           | <b>26,374</b>                        | <b>112,133</b>   | <b>587,805</b>                                 |



## **Notes to the Accounts (cont'd)**

### **Depreciation**

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings - 30 years
- Other Land and Buildings - 10 - 50 years
- Vehicles, Plant, Furniture & Equipment - 4 - 20 years.
- Infrastructure - 24 years
- Community Assets – 0 - 21 years

### **Capital Commitments**

At 31 March 2019, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The major commitments include the following projects which have been stated at full project cost:-

|   | <b>£000</b> |
|---|-------------|
| Primary School Newton Mearns                        | 15,300      |
| Early Learning & Childcare Expansion to 1,140 hours | 24,102      |
| Core System Upgrade                                 | 3,500       |
| Wireless Local Area Network                         | 1,050       |
| House Building Programme                            | 12,921      |

### **Revaluations**

The Authority carries out a five year revaluation programme ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on a regular basis, in the current year Housing, Community Halls, Pavilions, Libraries, Resource Centres and Leisure Centres and Sports Pitches. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:-

- the amount which an asset could be exchanged for, between knowledgeable, willing parties, in an arm's length transaction
- the amount that would be paid for the asset in its existing use.
- the amount as determined at an assumed valuation date.



## **Notes to the Accounts (cont'd)**

### **17. HERITAGE ASSETS**

#### **Reconciliation of the carrying value of Heritage Assets held by the Authority**

|  | <b>Statues<br/>£000</b> | <b>Civic<br/>Regalia<br/>£000</b> | <b>Total<br/>Tangible<br/>Assets<br/>£000</b> | <b>Number<br/>Plates<br/>£000</b> | <b>Total<br/>Intangible<br/>Assets<br/>£000</b> | <b>Total<br/>Heritage<br/>Assets<br/>£000</b> |
|--|-------------------------|-----------------------------------|---|-----------------------------------|---|---|
| <b>Cost or valuation<br/>At 1 April 2018</b> | 94                      | 65                                | 159   | 75                                | 75  | 234   |
| <b>Revaluations</b>                          | -                       | -                                 | -   | -                                 | -   | -   |
| <b>At 31 March 2019</b>                      | 94                      | 65                                | 159   | 75                                | 75  | 234   |

|  | <b>Statues<br/>£000</b> | <b>Civic Regalia<br/>£000</b> | <b>Total<br/>Tangible<br/>Assets<br/>£000</b> | <b>Number<br/>Plates<br/>£000</b> | <b>Total<br/>Intangible<br/>Assets<br/>£000</b> | <b>Total<br/>Heritage<br/>Assets<br/>£000</b> |
|--|-------------------------|-------------------------------|---|-----------------------------------|---|---|
| <b>Cost or valuation<br/>At 1 April 2017</b> | 94                      | 65                            | 159   | 75                                | 75  | 234   |
| <b>Revaluations</b>                          | -                       | -                             | -   | -                                 | -   | -   |
| <b>At 31 March 2018</b>                      | 94                      | 65                            | 159   | 75                                | 75  | 234   |

Further details on Heritage Assets can be found in Note 43.





## Notes to the Accounts (cont'd)

### 18. INTANGIBLE ASSETS

The Authority accounts for its software licences as intangible assets, to the extent that they are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All licences are given a finite useful life of less than 5 years, based on assessments of the period that they are expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £240k charged to revenue in 2018/19 was charged to the IT Administration cost centre.

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

|   | 2018/19 Software Licences<br>£000 | 2017/18 Software Licences<br>£000 |
|---|-----------------------------------|-----------------------------------|
| <b>Balance at start of year:</b>            |                                   |                                   |
| • Gross carrying amounts                    | 1,216                             | 1,044                             |
| • Accumulated amortisation                  | (980)                             | (901)                             |
| <b>Net carrying amount at start of year</b> | <b>236</b>                        | <b>143</b>                        |
| Additions:                                  |                                   |                                   |
| • Internal development                      | -                                 | -                                 |
| • Purchases                                 | 390                               | 172                               |
| • Acquired through business combinations    | -                                 | -                                 |
| Amortisation for the period                 | (240)                             | (79)                              |
| Other changes                               | -                                 | -                                 |
| Derecognition                               |                                   |                                   |
| • Gross Book Value                          | -                                 | -                                 |
| • Accumulated amortisation                  | -                                 | -                                 |
| <b>Net carrying amount at end of year</b>   | <b>386</b>                        | <b>236</b>                        |
| Comprising:                                 |                                   |                                   |
| • Gross carrying amounts                    | 1,606                             | 1,216                             |
| • Accumulated amortisation                  | (1,220)                           | (980)                             |
| <b>Balance at end of year:</b>              | <b>386</b>                        | <b>236</b>                        |



## **Notes to the Accounts (cont'd)**

### **19. ASSETS HELD FOR SALE**

|   | <b>Current Assets<br/>2018/19<br/>£000</b> | <b>Current Assets<br/>2017/18<br/>£000</b> |
|---|--|--|
| <b>Balance outstanding at start of year</b>   | <b>1,037</b>                               | <b>768</b>                                 |
| Assets newly classified as held for sale:     |  |  |
| • Property, Plant and Equipment               | 1,033                                      | 1,124                                      |
| • Other assets/liabilities in disposal groups | -  | -  |
| Additions                                     | 36   | -  |
| Revaluation losses                            | -  | (76)                                       |
| Revaluation gains                             | -  | -  |
| Impairment losses                             | -  | (11)                                       |
| Assets declassified as held for sale:         |  |  |
| • Property, Plant and Equipment               | -  | -  |
| • Other assets/liabilities in disposal groups | -  | -  |
| Assets sold                                   | (1,072)                                    | (768)                                      |
| Transfers from non-current to current         | -  | -  |
| <b>Balance outstanding at year-end:</b>       | <b>1,034</b>                               | <b>1,037</b>                               |



## Notes to the Accounts (cont'd)

### 20. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. Both years presented, below, reflect the impact of IFRS 9. The 2017/18 disclosure has been amended to reflect these new requirements.

|  | Long-term                |                          | Current                  |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
|  | 31 March<br>2019<br>£000 | 31 March<br>2018<br>£000 | 31 March<br>2019<br>£000 | 31 March<br>2018<br>£000 |
| Investments  |                          |                          |                          |                          |
| Loans and receivables  | 271                      | 241                      | 66,901                   | 59,964                   |
| <b>Total investments</b>   | <b>271</b>               | <b>241</b>               | <b>66,901</b>            | <b>59,964</b>            |
| <b>Borrowings</b>  |                          |                          |                          |                          |
| Financial liabilities at amortised cost<br>(including Bank overdraft and long term<br>creditors) | (87,881)                 | (80,043)                 | (4,944)                  | (4,376)                  |
| <b>Total Borrowings</b>  | <b>(87,881)</b>          | <b>(80,043)</b>          | <b>(4,944)</b>           | <b>(4,376)</b>           |
| <b>Other Long Term Liabilities</b>   |                          |                          |                          |                          |
| PFI and finance lease liabilities  | (85,748)                 | (90,481)                 | (4,732)                  | (4,308)                  |
| <b>Total other long term liabilities</b>   | <b>(85,748)</b>          | <b>(90,481)</b>          | <b>(4,732)</b>           | <b>(4,308)</b>           |

The income and expenses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are as follows:-

|  | 2018/19<br>Surplus or Deficit on<br>the Provision of<br>Services<br>£000 | 2017/18<br>Surplus or Deficit on<br>the Provision of<br>Services<br>£000 |
|--|--|--|
| Net gains/losses on:   |  |  |
| • Financial assets or financial liabilities measured at<br>amortised cost                        | -  | -  |
| Interest revenue:  |  |  |
| • Financial assets or financial liabilities measured at<br>amortised cost                        | 3,738  | 3,845  |
| Fee income:  |  |  |
| • Financial assets or financial liabilities that are not at fair<br>value through profit or loss | -  | (8)  |
| Fee expense:   |  |  |
| • Financial assets or financial liabilities that are not at fair<br>value through profit or loss | 182  | 171  |
| <b>Total net(gain) / losses</b>  | <b>3,920</b>   | <b>4,008</b>   |



## Notes to the Accounts (cont'd)

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets including long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2\*), using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

**Mark to Model Valuation for Financial Instruments** – As at 31 March the Council held £67,172k financial assets and £92,825k financial liabilities for which Level 2 valuations will apply. All the financial assets are held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1\* valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

|                       | 31 March 2019   |            | 31 March 2018   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying amount | Fair Value | Carrying amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial liabilities | 92,825          | 127,097    | 84,419          | 117,313    |

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.



## Notes to the Accounts (cont'd)

Link Asset Services have also provided fair value calculations based on premature repayment. This shows the following comparable figures:-

|                       | 31 March 2019   |            | 31 March 2018   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying amount | Fair Value | Carrying amount | Fair Value |
|                       | £000            | £000       | £000            | £000       |
| Financial liabilities | 92,825          | 153,440    | 84,419          | 140,444    |

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. As part of the Financial Liabilities shown in the two tables above is a PWLB carrying amount of £74.70m, the fair value using New Borrowing Rates would be £101.56m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge. The exit price for the PWLB loans including the additional charges would be £122.85m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £74.70m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

|                         | 31 March 2019   |               | 31 March 2018   |               |
|-------------------------|-----------------|---------------|-----------------|---------------|
|                         | Carrying amount | Fair Value    | Carrying amount | Fair Value    |
|                         | £000            | £000          | £000            | £000          |
| Deposits: short-term    | 32,904          | 32,965        | 35,964          | 36,011        |
| Investments: short-term | 33,997          | 34,033        | 24,000          | 24,039        |
| Investments: long-term  | 271             | 271           | 241             | 241           |
|                         | <b>67,172</b>   | <b>67,269</b> | <b>60,205</b>   | <b>60,291</b> |

The fair value of the assets is similar to the carrying amount because the Council's portfolio of loans includes all variable rate loans where the interest rates receivable are similar to the rates available for similar loans at the Balance Sheet date.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

\* Definitions of Levels 1 - 3 can be found within the Accountancy Policies - Note 1

**Notes to the Accounts (cont'd)****21. DEBTORS**

|                                  | <b>31 March 2019</b><br><b>£000</b> | <b>31 March 2018</b><br><b>£000</b> |
|----------------------------------|-------------------------------------|-------------------------------------|
| Trade receivables                | 2,577                               | 2,506                               |
| Receivables from related parties | 6,439                               | 6,802                               |
| Prepayments                      | 1,034                               | 1,064                               |
| Other accounts                   | 5,741                               | 3,396                               |
| <b>Total</b>                     | <b>15,791</b>                       | <b>13,768</b>                       |

**22. DEBTORS FOR LOCAL TAXATION**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

|                            | <b>31 March 2019</b><br><b>£000</b> | <b>31 March 2018</b><br><b>£000</b> |
|----------------------------|-------------------------------------|-------------------------------------|
| Less than one year         | 2,236                               | 2,171                               |
| Between one to two years   | 1,403                               | 1,446                               |
| Between two and five years | 2,887                               | 2,506                               |
| More than five years       | 6,475                               | 7,100                               |
| <b>Total</b>               | <b>13,001</b>                       | <b>13,223</b>                       |

Bad debt provision is provided for 2% of the amount levied in the current year and 100% of prior year debt.

**23. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

|                            | <b>31 March 2019</b><br><b>£000</b> | <b>31 March 2018</b><br><b>£000</b> |
|----------------------------|-------------------------------------|-------------------------------------|
| Cash held by the Authority | 17                                  | 18                                  |
| Bank current accounts      | (2,781)                             | (1,759)                             |
| Short-term deposits        | 32,904                              | 35,964                              |
| <b>Total</b>               | <b>30,140</b>                       | <b>34,223</b>                       |



**Notes to the Accounts (cont'd)****24. CREDITORS**

|                             | 31 March 2019   |             | 31 March 2018   |             |
|-----------------------------|-----------------|-------------|-----------------|-------------|
|                             | Short-term      | Long-term   | Short-term      | Long-term   |
| Trade payables              | (8,163)         | -           | (5,100)         | -           |
| Payables to related parties | (9,749)         | -           | (9,740)         | -           |
| Other accounts              | (30,604)        | (93)        | (26,151)        | (92)        |
| <b>TOTAL</b>                | <b>(48,516)</b> | <b>(93)</b> | <b>(40,991)</b> | <b>(92)</b> |

**25. PROVISIONS**

|                                       | Teachers<br>Maternity<br>Pay<br>£000 | Short-<br>term<br>provisions<br>£000 | SRC<br>Operations<br>£000 | Insurance<br>Excess<br>£000 | Long-term<br>provisions<br>£000 |
|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------|-----------------------------|---------------------------------|
| <b>Balance at 31 March 2018</b>       | (130)                                | (130)                                | (10)                      | (149)                       | (159)                           |
| Additional provisions made in 2018/19 | (152)                                | (152)                                | -                         | -                           | -                               |
| Amounts used in 2018/19               | 121                                  | 121                                  | 3                         | -                           | 3                               |
| Unused amounts reversed in 2018/19    | 9                                    | 9                                    | -                         | 5                           | 5                               |
| <b>Balance at 31 March 2019</b>       | (152)                                | (152)                                | (7)                       | (144)                       | (151)                           |

The Council has one short term provision to cover holidays accrued whilst teachers are on maternity.

Two long term provisions have been made in the accounts totalling £151k. These are made up firstly of £7k a provision in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities which made up the former Strathclyde Region. East Renfrewshire Council's share of liabilities which will materialise in the future is 4.83%. Secondly, there is a provision of £144k to cover insurance excess for outstanding claims made against the Council.

**Notes to the Accounts (cont'd)****26. BALANCE SHEET – UNUSABLE RESERVES**

|   | 31 March 2019    | 31 March 2018    |
|---|------------------|------------------|
|   | £000             | £000             |
| Revaluation Reserve                                 | (155,245)        | (148,561)        |
| Capital Adjustment Account                          | (344,536)        | (324,636)        |
| Financial Instruments Adjustment Account            | 1,345            | 1,462            |
| Pensions Reserve                                    | 134,841          | 82,454           |
| Statutory Accumulating Compensated Absences Account | 5,902            | 5,504            |
| <b>Total Unusable Reserves</b>                      | <b>(357,693)</b> | <b>(383,777)</b> |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Authority 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 2019    | 31 March 2018<br>(Restated) |
|---|------------------|-----------------------------|
|   | £000             | £000                        |
| <b>Balance at 1 April</b>   | <b>(148,561)</b> | <b>(107,064)</b>            |
| <b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:</b> |                  |                             |
| Upward revaluation of assets  | (11,718)         | (48,028)                    |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services              | 125              | 2,089                       |
| <b>Amount written off to the Capital Adjustment Account:</b>  |                  |                             |
| Difference between fair value depreciation and historical cost depreciation   | 4,204            | 3,754                       |
| Accumulated gains on assets sold or scrapped  | 705              | 688                         |
| <b>Balance at 31 March</b>  | <b>(155,245)</b> | <b>(148,561)</b>            |



## Notes to the Accounts (cont'd)

### 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 enhancement of those assets under statutory provisions.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 11 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

|   | 2018/19  | 2017/18  |
|---|--|--|
|   | £000   | £000   |
| <b>Balance at 1 April</b>   | <b>(324,636)</b>                                     | <b>(302,705)</b>                                     |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account   |  |  |
| <ul style="list-style-type: none"> <li>• Charges for depreciation and impairment of non-current assets</li> <li>• Revaluation losses on Property, Plant and Equipment</li> <li>• PPP/PFI lifecycle costs</li> <li>• Amortisation of intangible assets</li> <li>• Revenue expenditure funded from capital under statute</li> <li>• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement</li> </ul> | 29,293<br>-<br>(1,229)<br>240<br>-<br>1,120          | 19,701<br>-<br>(1,733)<br>79<br>-<br>1,884           |
|   | (295,212)  | (282,774)  |
| Adjusting amounts written out of the Revaluation Reserve  | (4,909)  | (4,442)  |
| Net written out amount of the cost of non-current assets consumed in the year   | (300,121)  | (287,216)  |
| Capital financing applied in the year:  |  |  |
| <ul style="list-style-type: none"> <li>• Use of the Capital Receipts to finance new capital expenditure</li> <li>• Grants applied to Capital Investment</li> <li>• PPP/PFI Finance lease repayments</li> <li>• Loan repayments for the financing of capital investment charged against the General Fund and HRA balances</li> <li>• Capital Funded from Current Revenue/capital reserve</li> </ul>  | (2,107)<br>(18,402)<br>(4,308)<br>(9,722)<br>(9,876) | (1,660)<br>(9,777)<br>(3,469)<br>(9,636)<br>(12,878) |
| <b>Balance at 31 March</b>  | <b>(344,536)</b>                                     | <b>(324,636)</b>                                     |

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the



## **Notes to the Accounts (cont'd)**

early redemption of loans. 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 Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund over the next 5 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

|   | 2018/19      | 2017/18      |
|---|--------------|--------------|
|   | £000         | £000         |
| <b>Balance at 1 April</b>   | <b>1,462</b> | <b>1,696</b> |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements  | (108)        | (225)        |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (9)          | (9)          |
| <b>Balance at 31 March</b>  | <b>1,345</b> | <b>1,462</b> |

### **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 Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement 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 Authority 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 Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

|  | 2018/19        | 2017/18        |
|--|----------------|----------------|
|  | £000           | £000           |
| <b>Balance at 1 April</b>  | <b>82,454</b>  | <b>173,922</b> |
| Actuarial (gains) or losses on pension assets and liabilities  | 33,596         | (103,800)      |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 29,612         | 21,616         |
| Employer's pension contributions and direct payments to pensioners payable in the year   | (10,821)       | (9,284)        |
| <b>Balance at 31 March</b>   | <b>134,841</b> | <b>82,454</b>  |



## **Notes to the Accounts (cont'd)**

### **Short term Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

|   | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|---|-------------------------|-------------------------|
| <b>Balance at 1 April</b>   | <b>5,504</b>            | <b>5,476</b>            |
| Settlement or cancellation of accrual made at the end of the preceding year | (5,504)                 | (5,476)                 |
| Amounts accrued at the end of the current year                              | 5,902                   | 5,504                   |
| <b>Balance at 31 March</b>  | <b>5,902</b>            | <b>5,504</b>            |

### **27. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

|  | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|--|-------------------------|-------------------------|
| Interest received  | (518)                   | (194)                   |
| Interest paid  | 4,627                   | 4,402                   |
| Interest element of finance lease rental and PPP/PFI payment | 6,502                   | 6,240                   |

The (surplus) or deficit on the provision of services has been adjusted for the following non-cash movements:

|   | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|---|-------------------------|-------------------------|
| Depreciation and impairment   | (29,293)                | (19,701)                |
| Amortisation of intangible assets   | (240)                   | (79)                    |
| (Increase)/decrease in creditors  | (7,247)                 | 1,959                   |
| Increase/(decrease) in debtors  | (795)                   | 889                     |
| Increase/(decrease) in inventories  | 11                      | 96                      |
| Movement in pension liability   | (18,791)                | (12,332)                |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 987                     | (224)                   |

**Notes to the Accounts (cont'd)**

Other non-cash items charged to the net surplus or deficit on the provision of services

18,519 10,011

**(36,849) (19,381)**

**28. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

|   | 2018/19<br>£000 | 2017/18<br>£000 |
|---|-----------------|-----------------|
| Purchase of property, plant and equipment and intangible assets               | 41,354          | 52,288          |
| Purchase of short-term and long-term investments                              | 68,765          | 72,695          |
| Proceeds from the sale of property, plant and equipment and intangible assets | (2,107)         | (1,660)         |
| Proceeds from short-term and long-term investments                            | (68,765)        | (72,695)        |
| Other receipts from investing activities                                      | (15,518)        | (10,251)        |
| <b>Net cash flows from investing activities</b>                               | <b>23,729</b>   | <b>40,377</b>   |

**29. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

|  | 2018/19<br>£000  | 2017/18<br>£000  |
|--|------------------|------------------|
| <b>Financing activities as at 1 April</b>  | <b>(153,116)</b> | <b>(135,038)</b> |
| Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract | 4,308            | 3,469            |
| Repayments of short and long-term borrowing  | 2,644            | 759              |
| Other payments for financing activities  | -                | (22,306)         |
| <b>Financing activities as at 31 March</b>   | <b>(146,164)</b> | <b>(153,116)</b> |

**30. AGENCY SERVICES**

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water with its Council Tax.

During 2018/19 the Council collected and paid over £17.1m (2017/18 £17m) and received £0.259m (2017/18 £0.259m) for providing the service.

**31. EXTERNAL AUDIT COSTS**

|  | 2018/19<br>£000 | 2017/18<br>£000 |
|--|-----------------|-----------------|
| Agreed Audit Scotland audit fee for the year | 227             | 222             |
| Other Audit Services provided                | -               | -               |





## **Notes to the Accounts (cont'd)**

### **32. GRANT INCOME**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

|   | <b>2018/19</b> | <b>2017/18</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Credited to Taxation and Non Specific Grant Income</b> |                |                |
| Revenue Support Grant                                     | 162,932        | 161,493        |
| Non Domestic Rates  | 14,318         | 14,552         |
| Capital Grants and Contributions                          | 18,402         | 9,777          |
| <b>Total</b>  | <b>195,652</b> | <b>185,822</b> |
| <b>Credited to Services</b>                               |                |                |
| Housing Benefit Subsidy                                   | 14,790         | 14,896         |
| Housing Benefit Administration Grant                      | 175            | 190            |
| Pupil Equity Fund   | 1,428          | 982            |
| Unitary Charge – Barrhead High School                     | 1,832          | 1,183          |
| Education 1140 expansion                                  | 421            | 377            |
| Criminal Justice Grant                                    | 563            | 462            |
| Private Sector Housing Grant                              | 257            | 105            |
| Education Maintenance Allowance                           | 405            | 410            |
| Strathclyde Passenger Transport                           | 297            | 200            |
| Miscellaneous Revenue Grants                              | 2,436          | 2,888          |
| <b>Total</b>  | <b>218,256</b> | <b>207,515</b> |

The Authority has received a number of grants, contributions and donations 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 if they are not used as specified. The balances at the year-end are as follows:

|   | <b>31 March 2019</b> |
|---|----------------------|
|   | <b>£000</b>          |
| <b>Capital Grants Receipts in Advance</b> |                      |
| Developer's Contributions                 | 2,698                |
| Environmental Improvement Grant           | 1,217                |
| Energy Grant                              | 150                  |
| Miscellaneous                             | 33                   |
|   | <b>4,098</b>         |

### **33. RELATED PARTIES**

The Authority 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 Authority.



## **Notes to the Accounts (cont'd)**

### **Scottish Government**

The Scottish Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in note 32.

### **Members**

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown on page 42. The code of conduct for members requires them to complete a Declaration of Interest which is updated annually and held on a central register which is held by the Corporate and Community Department at Council Headquarters. A member is required to declare an interest where he/she feels that there may be a perception that their decision making may be influenced in any way by a personal interest or by representing an associated body. When this situation arises, and where appropriate, the relevant members do not take part in any discussion or decision in relation to that interest.

### **Officers**

A similar register exists to enable officials to declare an interest when there could be a perception that a decision taken could be influenced by an activity undertaken on a personal basis or by representing an associated body. Again, when this situation arises the relevant officer does not take part in any discussion or decision relating to that interest. This register is held by the Corporate and Community Department at the Council Headquarters. Remuneration paid to senior employees is shown on page 41.

### **Entities Controlled or Significantly Influenced by the Council**

East Renfrewshire Culture and Leisure Trust and East Renfrewshire Integration Joint Board are deemed to be related parties of the Council, mainly through the Council's ability to exert influence over the entity through its representation on the respective Boards. The relevant transactions and balances with the bodies are:-

|   | <b>During 2018/19</b>    |                            | <b>As at 31 March 2019</b> |                      |
|---|--------------------------|----------------------------|----------------------------|----------------------|
|   | <b>Charges to<br/>£m</b> | <b>Charges from<br/>£m</b> | <b>Due from<br/>£m</b>     | <b>Due to<br/>£m</b> |
| East Renfrewshire Culture & Leisure Trust | (0.427)                  | 5.510                      | (0.084)                    | 0.353                |
| East Renfrewshire Integration Joint Board | (48.557)                 | 48.557                     | (0.061)                    | 4.707                |

### **34. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

**Notes to the Accounts (cont'd)**

| 2018/19  | Housing<br>£000         | General Fund<br>£000         | Total<br>£000         |
|--|-------------------------|------------------------------|-----------------------|
| <i>Opening Capital Financing Requirement as at 31 March 2018</i> | 26,587                  | 166,648                      | 193,235               |
| <i>Capital investment</i>  |                         |                              |                       |
| Property, Plant and Equipment                                    | 8,628                   | 32,451                       | 41,079                |
| Intangible Assets  | -                       | 108                          | 108                   |
| Revenue Expenditure Funded from Capital under Statute            | -                       | -                            | -                     |
| <i>Sources of finance</i>  |                         |                              |                       |
| Capital Reserve  | -                       | (8,466)                      | (8,466)               |
| Capital receipts   | (204)                   | (1,903)                      | (2,107)               |
| Government grants and other contributions                        | (3,019)                 | (15,383)                     | (18,402)              |
| <b><i>Sums set aside from revenue</i></b>                        |                         |                              |                       |
| Direct revenue contributions                                     | (300)                   | (1,110)                      | (1,410)               |
| Finance lease Principal Repayments (including PFI/PPP Projects)  | -                       | (5,537)                      | (5,537)               |
| Loans Fund Principal   | (3,009)                 | (6,713)                      | (9,722)               |
| <b>Closing Capital Financing Requirement as at 31 March 2019</b> | <b>28,683</b>           | <b>160,095</b>               | <b>188,778</b>        |
| <b>Explanation of Movements in Year</b>                          |                         |                              |                       |
| Increase in underlying need to borrow                            | 2,096                   | (6,553)                      | (4,457)               |
| Assets acquired under lease and lease type arrangements          | -                       | -                            | -                     |
| <b>Increase/(decrease) in Capital Financing Requirement</b>      | <b>2,096</b>            | <b>(6,553)</b>               | <b>(4,457)</b>        |
| <b>2017/18</b>   | <b>Housing<br/>£000</b> | <b>General Fund<br/>£000</b> | <b>Total<br/>£000</b> |
| <i>Opening Capital Financing Requirement as at 31 March 2017</i> | 26,756                  | 152,425                      | 179,181               |
| <i>Capital investment</i>  |                         |                              |                       |
| Property, Plant and Equipment                                    | 5,119                   | 47,959                       | 53,078                |
| Intangible Assets  | -                       | 129                          | 129                   |
| Revenue Expenditure Funded from Capital under Statute            | -                       | -                            | -                     |
| <i>Sources of finance</i>  |                         |                              |                       |
| Capital Reserve  | -                       | (11,500)                     | (11,500)              |
| Capital receipts   | (1,504)                 | (156)                        | (1,660)               |
| Government grants and other contributions                        | (371)                   | (9,406)                      | (9,777)               |
| <b><i>Sums set aside from revenue</i></b>                        |                         |                              |                       |
| Direct revenue contributions                                     | (500)                   | (878)                        | (1,378)               |
| Finance lease Principal Repayments (including PFI/PPP Projects)  | -                       | (5,202)                      | (5,202)               |
| Loans Fund Principal   | (2,913)                 | (6,723)                      | (9,636)               |
| <b>Closing Capital Financing Requirement as at 31 March 2018</b> | <b>26,587</b>           | <b>166,648</b>               | <b>193,235</b>        |
| <b>Explanation of Movements in Year</b>                          |                         |                              |                       |
| Increase in underlying need to borrow                            | (169)                   | (4,615)                      | (4,784)               |
| Assets acquired under lease and lease type arrangements          | -                       | 18,838                       | 18,838                |
| <b>Increase/(decrease) in Capital Financing Requirement</b>      | <b>(169)</b>            | <b>14,223</b>                | <b>14,054</b>         |



## Notes to the Accounts (cont'd)

### 35. LEASES

#### AUTHORITY AS A LESSEE

##### Operating Leases

The Authority has operating leases within land, property, vehicles and equipment, incorporating a mix of lease lives.

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

|   | <b>31 March 2019</b> | <b>31 March 2018</b> |
|---|----------------------|----------------------|
|   | <b>£000</b>          | <b>£000</b>          |
| Not later than one year                           | 386                  | 387                  |
| Later than one year and not later than five years | 1,225                | 1,338                |
| Later than five years                             | 1,870                | 2,137                |
|   | <b>3,481</b>         | <b>3,862</b>         |

The expenditure charged to the HSCP, Corporate and Community and Environmental lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

|                        | <b>31 March 2019</b> | <b>31 March 2018</b> |
|------------------------|----------------------|----------------------|
|                        | <b>£000</b>          | <b>£000</b>          |
| Minimum Lease payments | 391                  | 390                  |
| Contingent Rents       | -                    | -                    |
|                        | <b>391</b>           | <b>390</b>           |

#### AUTHORITY AS A LESSOR

##### Operating Leases

The Authority leases out land and property under operating leases for the following purposes:

- for the provision of community services

**Notes to the Accounts (cont'd)**

- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable operating leases in the aggregate and for each of the following periods:-

|   | 31 March 2019 | 31 March 2018 |
|---|---------------|---------------|
|   | £000          | £000          |
| Not later than one year                           | 286           | 184           |
| Later than one year and not later than five years | 363           | 461           |
| Later than five years                             | 16,454        | 16,857        |
|   | <b>17,103</b> | <b>17,502</b> |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £9,623 contingent rents were receivable by the Authority (2017/18 no contingent rents were receivable by the Authority).

**36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS****(I) Schools PFI Contract**

The Council signed a contract on 20 April 2000 with East Ren Schools Services Ltd to procure the provision of services for the Council under the government's Private Finance Initiative.

The services are the provision of a new Mearns Primary School and an extension to St Ninians High School. The contract is for a period of 25 years commencing August 2001 and the assets will revert to the Council at the end of the contract period. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment Balance in Note 16.

| <b>Movement in Value of Assets</b>     | <b>£000</b>   |
|--|---------------|
| Valuation at 1 April 2018              | 23,089        |
| Additions/Revaluations                 | 412           |
| Depreciation in Year                   | (602)         |
| <b>NET BOOK VALUE AT 31 MARCH 2019</b> | <b>22,899</b> |



## Notes to the Accounts (cont'd)

The annual Unitary Charge is a fixed sum of £2.17m. This is offset by a Direct Support Payment from the Scottish Government of £1.25m leaving a net cost to the Council of £0.92m.

The total value of payments over the remainder of the contract before inflation will be £16.0m and the total value of income from the Scottish Government will be £9.2m resulting in a net outstanding undischarged obligation before inflation of £6.8m.

The Gross Unitary Charge is subject to inflation increases less than Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

|                        | Estimated Cash Value of Payments Due to be Made |                    |              |                    | Total<br>£000 |
|------------------------|---|--------------------|--------------|--------------------|---------------|
|                        | Liability                                       | Contingent<br>Rent | Interest     | Service<br>Charges |               |
|                        | £000  | £000               | £000         | £000               |               |
| Within 1 year          | 878   | 674                | 668          | 1,231              | 3,451         |
| Within 2 to 5 years    | 4,067   | 2,901              | 1,772        | 5,955              | 14,695        |
| Within 6 to 10 years   | 2,499   | 1,638              | 294          | 3,492              | 7,923         |
| <b>ESTIMATED TOTAL</b> | <b>7,444</b>                                    | <b>5,213</b>       | <b>2,734</b> | <b>10,678</b>      | <b>26,069</b> |

### (II) Roads PFI Contract

The Council finalised a PFI agreement in conjunction with South Lanarkshire Council and the Scottish Executive to construct the Glasgow Southern Orbital Road and the M77 extension. Some 26.67% of the asset relates to East Renfrewshire Council.

The contract was signed on 30 April 2003 with Connect to construct and thereafter maintain the new roads for a period of 30 years commencing April 2005. At the end of the contract period the roads will revert to the respective authorities. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

| Movement in Value of ERC Assets        | £000          |
|--|---------------|
| Valuation at 1 April 2018              | 28,920        |
| Additions/Revaluations                 | 265           |
| Depreciation in Year                   | (884)         |
| <b>NET BOOK VALUE AT 31 MARCH 2019</b> | <b>28,301</b> |

Payment for the project is made through an Annual Unitary Charge which is made up of a Fixed Availability Element and an Expected Usage Element geared to forecast traffic flow.



## Notes to the Accounts (cont'd)

Direct support payments from the Scottish Government result in an annual net cost to the Council of £100,000.

The outstanding undischarged net obligation is currently £1.6m.

|                        | Estimated Cash Value of Payments Due to be Made |                    |               |                    | Total<br>£000 |
|------------------------|---|--------------------|---------------|--------------------|---------------|
|                        | Liability                                       | Contingent<br>Rent | Interest      | Service<br>Charges |               |
|                        | £000  | £000               | £000          | £000               |               |
| Within 1 year          | 1,076   | 349                | 1,352         | 723                | 3,500         |
| Within 2 to 5 years    | 4,428   | 1,588              | 4,788         | 3,549              | 14,353        |
| Within 6 to 10 years   | 6,512   | 2,493              | 4,484         | 5,274              | 18,763        |
| Within 11 to 15 years  | 9,765   | 3,458              | 2,205         | 4,291              | 19,719        |
| Within 16 to 20 years  | 2,097   | 723                | 99            | 1,475              | 4,394         |
| <b>ESTIMATED TOTAL</b> | <b>23,878</b>                                   | <b>8,611</b>       | <b>12,928</b> | <b>15,312</b>      | <b>60,729</b> |

### (III) Schools PPP Project

On 10 December 2004 the Council signed a further schools PPP contract for the provision of a new Williamwood High School, a new Primary School/Community Inclusive Education Campus for Carlibar and extensions to Mearns Castle High School and Woodfarm High School. The extensions were handed over to the Council in December 2005 and the new schools were handed over on target in July 2006.

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

| Movement in Value of Assets            | £000          |
|--|---------------|
| Valuation at 1 April 2018              | 61,588        |
| Additions/Revaluations                 | 582           |
| Depreciation in Year                   | (1,594)       |
| <b>NET BOOK VALUE AT 31 MARCH 2019</b> | <b>60,576</b> |

The Annual Unitary Charge is a fixed sum of £6.86m and this is offset by a Direct Support Payment from the Scottish Government of £3.95m leaving a net cost to the Council of £2.91m.

The total value of payments over the remainder of the contract before inflation will be £84.04m and the total value of income from the Scottish Government will be £43.41m leaving a net outstanding undischarged obligation of £40.63m.





## Notes to the Accounts (cont'd)

The Gross Unitary Charge is subject to inflation increases less than the Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

|                        | Estimated Cash Value of Payments Due to be Made |                    |               |                    | Total<br>£000  |
|------------------------|---|--------------------|---------------|--------------------|----------------|
|                        | Liability                                       | Contingent<br>Rent | Interest      | Service<br>Charges |                |
|                        | £000  | £000               | £000          | £000               |                |
| Within 1 year          | 2,207   | 1,597              | 2,752         | 2,799              | 9,355          |
| Within 2 to 5 years    | 9,271   | 7,252              | 9,361         | 13,446             | 39,330         |
| Within 6 to 10 years   | 15,346  | 11,833             | 7,394         | 19,179             | 53,752         |
| Within 11 to 15 years  | 10,917  | 7,741              | 1,233         | 9,077              | 28,968         |
| <b>ESTIMATED TOTAL</b> | <b>37,741</b>                                   | <b>28,423</b>      | <b>20,740</b> | <b>44,501</b>      | <b>131,405</b> |

### (IV) Barrhead High School - Scotland's Schools for the Future NPD Project

On 21 March 2016 the Council signed a contract for the construction and maintenance of a replacement Barrhead High School to be delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. The new facility was handed over to the Council in August 2017.

The contract is for 25 years from August 2017 and the asset will revert to the Council at the end of the contract period. Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

| Movement in Value of Assets            | £000          |
|--|---------------|
| Valuation at 1 April 2018              | 24,303        |
| Additions/Revaluations                 | 24            |
| Depreciation in Year                   | (624)         |
| <b>NET BOOK VALUE AT 31 MARCH 2019</b> | <b>23,703</b> |

The capital element of the Annual Service Payment will be fully covered by Scottish Government Revenue Funding Support payments.

The Annual Service Payment is a fixed sum of £2.105m and this is offset by Direct Support Payment from the Scottish Government of £1.832m leaving a net cost to the Council of £0.273m.

The total value of payments over the remainder of the contract before inflation will be £49.157m and the total value of income from the Scottish Government will be £43.329m leaving a net outstanding undischarged obligation of £5.828m.

The Annual Service Payment is subject to inflation increases less than the Retail Price index but the Scottish Government contribution is fixed and will not increase



## **Notes to the Accounts (cont'd)**

over the lifetime of the project. This will result in an increasing net annual burden for the Council.

|                        | Estimated Cash Value of Payments Due to be Made |                    |               |                    | Total<br>£000 |
|------------------------|---|--------------------|---------------|--------------------|---------------|
|                        | Liability                                       | Contingent<br>Rent | Interest      | Service<br>Charges |               |
|                        | £000  | £000               | £000          | £000               |               |
| Within 1 year          | 573   | 19                 | 1,413         | 164                | 2,169         |
| Within 2 to 5 years    | 2,432   | 116                | 5,250         | 1,000              | 8,798         |
| Within 6 to 10 years   | 3,013   | 69                 | 5,684         | 2,535              | 11,301        |
| Within 11 to 15 years  | 3,991   | 58                 | 4,559         | 3,070              | 11,678        |
| Within 16 to 20 years  | 5,938   | 295                | 2,959         | 2,914              | 12,106        |
| Within 20 to 25 years  | 5,469   | 426                | 720           | 1,773              | 8,388         |
| <b>ESTIMATED TOTAL</b> | <b>21,416</b>                                   | <b>983</b>         | <b>20,585</b> | <b>11,456</b>      | <b>54,440</b> |

### **37. IMPAIRMENT LOSSES**

#### **Impairment of Assets**

Impairment losses/(reversals) of £6.903m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

|   | Losses<br>£000 | Reversal of<br>Previous Losses<br>£000 | Net<br>Loss/(Reversal)<br>£000 |
|---|----------------|--|--------------------------------|
| Property, Plant & Equipment and Assets<br>Held for Sale | 8,069          | (1,166)                                | 6,903                          |

### **38. TERMINATION BENEFITS**

The Authority terminated the contracts of a number of employees in 2018/19 incurring liabilities of £2.02m (£1.4m in 2017/18). This was in respect of 44 officers (23 officers in 2017/18) from across the Council. The Remuneration Report at page 47 provides further details on exit packages.

### **39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

East Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. The next valuation will be as at 31 March 2020 and this will set contribution rates from 1 April 2023.

The Council has no liability for other employers' obligations to the multi-employer scheme.



## **Notes to the Accounts (cont'd)**

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. However, it is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme.

The current employer contribution rate of 17.2% has applied from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. In addition £0.33m was paid (2017/18 £0.3m) in respect of added years.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2018, by East Renfrewshire Council was £8.028m, equating to approximately 1.92% of the total contributions made to the scheme.

### **40. DEFINED BENEFIT PENSION SCHEMES**

#### **Participation in Pension Schemes**

The post employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde Area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

#### **Benefits**

- From 1 April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.
- For the period 1 April 2009 to 31 March 2015 the LGPS was a defined benefit final salary scheme and the pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.



## **Notes to the Accounts (cont'd)**

### **Governance**

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including East Renfrewshire Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as East Renfrewshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other party. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

### **McCloud**

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based



## Notes to the Accounts (cont'd)

on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £6,677,000 for East Renfrewshire Council and the balance sheet reflects this increase.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no pension plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-Employment Benefits

We recognise 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 we are 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 via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

| Included in net cost of services within Comprehensive Income and Expenditure Statement  | Local Government Pension Scheme |                 |
|---|---------------------------------|-----------------|
|   | 2018/19<br>£000                 | 2017/18<br>£000 |
| <ul style="list-style-type: none"> <li>Current service cost</li> <li>Past service costs (including curtailments)</li> <li>Effect of settlement</li> <li>Contributions in respect of unfunded benefits</li> </ul>  | 21,363                          | 18,091          |
|   | 7,077                           | 149             |
|   | -                               | -               |
|   | (1,273)                         | (1,246)         |
| <i>Included within Financing and Investment Income and Expenditure</i>  |                                 |                 |
| <ul style="list-style-type: none"> <li>Net interest cost</li> </ul>   | 2,445                           | 4,622           |
| <b>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>29,612</b>                   | <b>21,616</b>   |
| Included within Other Comprehensive Income and Expenditure  |                                 |                 |
| <ul style="list-style-type: none"> <li>Expected return on scheme assets</li> <li>Actuarial (gains) and losses on changes in demographic assumptions</li> <li>Actuarial (gains) and losses arising on changes in financial assumptions</li> <li>Other</li> </ul> | (16,351)                        | (9,901)         |
|   | -                               | (803)           |
|   | 49,360                          | (28,879)        |
|   | 587                             | (64,217)        |
| <b>Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>   | <b>63,208</b>                   | <b>(82,184)</b> |



## Notes to the Accounts (cont'd)

### Movement in Reserves Statement

|   |          |          |
|---|----------|----------|
| • Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme                 | 10,821   | 9,284    |
| • Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services  | (29,612) | (21,616) |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (18,791) | (12,332) |

### Pensions assets and liabilities required in the Balance Sheet

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

|  | <b>Local Government Pension Scheme</b> |                         |
|--|--|-------------------------|
|  | <b>2018/19<br/>£000</b>                | <b>2017/18<br/>£000</b> |
| Present value of the defined benefit obligation              | (669,782)                              | (586,007)               |
| Fair value of plan assets                                    | 534,941                                | 503,553                 |
| <b>Net liability arising from defined benefit obligation</b> | <b>(134,841)</b>                       | <b>(82,454)</b>         |

### Reconciliation of the Movements in the Fair Value of Scheme Assets.

|   | <b>Local Government Pension Scheme</b> |                         |
|---|--|-------------------------|
|   | <b>2018/19<br/>£000</b>                | <b>2017/18<br/>£000</b> |
| <b>Opening fair value of scheme assets</b>  | <b>503,553</b>                         | <b>481,565</b>          |
| Effect of Settlement  | -                                      | -                       |
| Interest income   | 13,615                                 | 12,515                  |
| Remeasurement gain/(loss)   |  |                         |
| • The return on plan assets, excluding the amount included in the net interest expenses | 16,351                                 | 9,901                   |
| • Other   | -                                      | -                       |
| The effect of changes in foreign exchange rates   | -                                      | -                       |
| Contributions from employer   | 10,821                                 | 9,284                   |
| Contributions from employees into the scheme  | 3,290                                  | 2,917                   |
| Benefits paid   | (12,689)                               | (12,629)                |
| <b>Closing fair value of scheme assets</b>  | <b>534,941</b>                         | <b>503,553</b>          |

**Notes to the Accounts (cont'd)****Reconciliation of Present Value of the Scheme Liabilities****Funded liabilities:  
Local Government  
Pension Scheme**

|  | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|--|-------------------------|-------------------------|
| Opening balance at 1 April   | <b>(586,007)</b>        | <b>(655,487)</b>        |
| Effect of Settlement   | -                       | -                       |
| Current service cost   | (21,363)                | (18,091)                |
| Interest cost  | (16,060)                | (17,137)                |
| Contributions from scheme participants                                     | (3,290)                 | (2,917)                 |
| Remeasurement gains and (losses)   |                         |                         |
| • Actuarial (gains) and losses on changes in demographic assumptions       | -                       | 803                     |
| • Actuarial (gains) and losses arising on changes in financial assumptions | (49,360)                | 28,879                  |
| • Other  | (587)                   | 64,217                  |
| Past service cost  | (7,077)                 | (149)                   |
| Benefits paid  | 13,962                  | 13,875                  |
| <b>Closing balance at 31 March</b>   | <b>(669,782)</b>        | <b>(586,007)</b>        |





## Notes to the Accounts (cont'd)

Local Government Pension Scheme assets comprised:

| Asset Category                           | 31-Mar-19                       |                                     |                |            | 31-Mar-18                       |                                     |                |            |
|--|---------------------------------|-------------------------------------|----------------|------------|---------------------------------|-------------------------------------|----------------|------------|
|  | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total          |            | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total          |            |
|  | £000                            | £000                                | £000           | %          | £000                            | £000                                | £000           | %          |
| <b>Equity Securities:</b>                |                                 |                                     |                |            |                                 |                                     |                |            |
| Consumer                                 | 34,257                          | 97                                  | 34,354         | 6          | 32,247                          | 91                                  | 32,338         | 6          |
| Manufacturing                            | 27,756                          | 84                                  | 27,840         | 5          | 26,127                          | 79                                  | 26,206         | 5          |
| Energy and Utilities                     | 7,151                           | -                                   | 7,151          | 1          | 6,732                           | -                                   | 6,732          | 1          |
| Financial Institutions                   | 23,061                          | -                                   | 23,061         | 4          | 21,708                          | -                                   | 21,708         | 4          |
| Health and Care                          | 13,544                          | 139                                 | 13,683         | 3          | 12,750                          | 130                                 | 12,880         | 3          |
| Information Technology                   | 17,630                          | 4                                   | 17,634         | 3          | 16,595                          | 4                                   | 16,599         | 3          |
| Other                                    | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| <b>Debt Securities</b>                   |                                 |                                     |                |            |                                 |                                     |                |            |
| Corporate Bonds (investment grade)       | 16,784                          | -                                   | 16,784         | 3          | 15,800                          | -                                   | 15,800         | 3          |
| Corporate Bonds (non-investment grade)   | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| UK Government                            | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Other                                    | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| <b>Private Equity:</b>                   |                                 |                                     |                |            |                                 |                                     |                |            |
| All                                      | -                               | 63,923                              | 63,923         | 12         | -                               | 60,172                              | 60,172         | 12         |
| <b>Real Estate:</b>                      |                                 |                                     |                |            |                                 |                                     |                |            |
| UK Property                              | -                               | 48,434                              | 48,434         | 9          | -                               | 45,592                              | 45,592         | 9          |
| Overseas Property                        | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| <b>Investment funds and unit trusts:</b> |                                 |                                     |                |            |                                 |                                     |                |            |
| Equities                                 | 151,930                         | 13,169                              | 165,099        | 31         | 143,015                         | 12,397                              | 155,412        | 31         |
| Bonds                                    | 23,394                          | 38,540                              | 61,934         | 12         | 22,021                          | 36,279                              | 58,300         | 12         |
| Hedge Funds                              | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Commodities                              | 268                             | -                                   | 268            | -          | 252                             | -                                   | 252            | -          |
| Infrastructure                           | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Other                                    | -                               | 686                                 | 686            | -          | -                               | 645                                 | 645            | -          |
| <b>Derivative</b>                        |                                 |                                     |                |            |                                 |                                     |                |            |
| Inflation                                | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Interest rate                            | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Foreign exchange                         | -                               | -                                   | -              | -          | -                               | -                                   | -              | -          |
| Other                                    | 11                              | -                                   | 11             | -          | 10                              | -                                   | 10             | -          |
| <b>Cash and cash equivalents</b>         |                                 |                                     |                |            |                                 |                                     |                |            |
| All                                      | 27,538                          | 26,540                              | 54,078         | 10         | 25,922                          | 24,983                              | 50,905         | 10         |
| <b>Totals</b>                            | <b>343,325</b>                  | <b>191,616</b>                      | <b>534,941</b> | <b>100</b> | <b>323,180</b>                  | <b>180,373</b>                      | <b>503,553</b> | <b>100</b> |

Please note, the sum of the individual items may not equal the totals shown due to rounding.

### Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Strathclyde Pension Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:-



## Notes to the Accounts (cont'd)

|   | <b>Local Government Pension Scheme</b> |                 |
|---|--|-----------------|
|   | <b>2018/19</b>                         | <b>2017/18</b>  |
| Investment returns                      | 5.9%                                   | 4.1% (estimate) |
| Mortality assumptions:                  |  |                 |
| Longevity at 65 for current pensioners: |  |                 |
| • Men                                   | 21.4 years                             | 21.4 years      |
| • Women                                 | 23.7 years                             | 23.7 years      |
| Longevity at 65 for future pensioners:  |  |                 |
| • Men                                   | 23.4 years                             | 23.4 years      |
| • Women                                 | 25.8 years                             | 25.8 years      |
| Rate of increase in salaries            | 3.7%                                   | 3.6%            |
| Rate of increase in pensions            | 2.5%                                   | 2.4%            |
| Rate for discounting scheme liabilities | 2.4%                                   | 2.7%            |

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

| <b>Change in assumptions at 31 March 2019:</b> | <b>Approximate %<br/>increase to<br/>Employer Liability</b> | <b>Approximate<br/>monetary amount<br/>£000</b> |
|--|---|---|
| 0.5% decrease in Real Discount Rate            | 10  | 65,886  |
| 0.5% increase in the Salary Increase Rate      | 2   | 11,804  |
| 0.5% increase in the Pension Increase Rate     | 8   | 52,685  |

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

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range. The Fund invests in equities, bonds, properties and in cash.

### **Impact on the Authority's Cash Flow**

The objectives of the Fund are to keep employers' 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



## **Notes to the Accounts (cont'd)**

Local Authorities. Employer's contributions have been set at 19.3% for the next three years following completion of the triennial valuation as at 31 March 2017.

The Fund takes account of national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contribution expected to be made by Council to Strathclyde Pension Fund in the year to 31 March 2020 is £10.334 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.5 years (19.5 years 2017/18).

### **41. CONTINGENT LIABILITIES**

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. In addition, the potential impact of the guaranteed minimum pension equalisation / indexation has been identified as a potential liability, however, the financial impact is not clear and the timescale for the resolution of this matter may be lengthy. Further contingent liabilities exist in relation to the Council's share of any potential future claims against the former Strathclyde Regional Council.

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

### **42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Authority'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 Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:



## **Notes to the Accounts (cont'd)**

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Scheme of Delegation;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Regulations.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy including the prudential indicators was approved by Council on 2 March 2018 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £240.558m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £221.545m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### **Credit Risk**

Credit risk arises from the deposits with banks and financial institutions.

This risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested and the time limits in respect of each financial institution.

The credit criteria in respect of financial assets held by the Council are detailed below:



## Notes to the Accounts (cont'd)

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody’s and Standard and Poor’s, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Credit ratings, as follows:-

| Financial Asset Category                  | Criteria    |       |           |
|---|-------------|-------|-----------|
|   |             | Fitch | Moody's   |
| Deposits with Bank and Money Market Funds | Short Term: | F1    | P-1 / P-2 |
|   | Long Term:  | A-    | A3        |

The Authority’s maximum exposure to credit risk in relation to its investments in banks, £10m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council’s deposits, but there was no evidence at the 31 March 2019 that this was likely to crystallise.

### Amounts Arising from Expected Credit Losses

At the end of the financial year expected credit losses were calculated on all amortised assets, on a 12 month basis, with the exception of investments in central government and other local authorities. This amount totalled £2,977 during the year, the authority did not write off any financial assets.

### Credit Risk Exposure

The authority has the following exposure to risk at 31 March 2019.

| £000s  | Credit Risk rating                   | Gross Carrying Amount (£) | Exposure to Credit Risk (£) |
|--|--------------------------------------|---------------------------|-----------------------------|
| 12-month expected credit losses  | AAA                                  | 15,870,000                | 18                          |
|  | AA                                   | 38,000,000                | -                           |
|  | A+                                   | 2,000,000                 | 329                         |
|  | A                                    | 7,000,000                 | 429                         |
|  | BBB                                  | 4,000,000                 | 2,201                       |
| Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates) | Less than 3 months and past due date | 444,000                   | -                           |
|  | Three to six months                  | 224,000                   | -                           |
|  | Six months to one year               | 90,000                    | -                           |
|  | More than one year                   | 973,000                   | -                           |



## **Notes to the Accounts (cont'd)**

The Council does not generally allow credit for customers, such that as at 31 March 2019 £1.731m of the £2.577m (£1.383m of £2.505m as at 31 March 2018) sundry income debtors balance is past its due date for payment.

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

### **Liquidity Risk**

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

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

|                                   | <b>31 March 2019</b> | <b>31 March 2018</b> |
|-----------------------------------|----------------------|----------------------|
|                                   | <b>£000</b>          | <b>£000</b>          |
| <b>Less than one year</b>         | 2,163                | 2,618                |
| <b>Between one and two years</b>  | 562                  | 2,163                |
| <b>Between two and five years</b> | 1,211                | 944                  |
| <b>More than five years</b>       | 86,015               | 76,843               |
|                                   | <u>89,951</u>        | <u>82,568</u>        |

All trade and other payables are due to be paid in less than one year.

### **Market Risk**

#### **Interest Rate Risk**

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances)
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise





## **Notes to the Accounts (cont'd)**

- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

|  | <b>£000</b> |
|--|-------------|
| Increase in interest payable on variable rate borrowings   | 226         |
| Increase in interest receivable on variable rate investments   | -           |
| Increase in government grant receivable for financing costs  | (357)       |
| Impact on Surplus or Deficit on the Provision of Services  | (131)       |
| Share of overall impact debited to the HRA   | (38)        |
| Decrease in fair value of fixed rate investment assets   | -           |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | 17,139      |

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

### **Price Risk**

The Council does not invest in equity shares and consequently is not exposed to losses arising from movement in their price.

### **Foreign Exchange Risk**

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.





## **Notes to the Accounts (cont'd)**

### **43. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS**

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2014/15 to 2018/19.



## **Housing Revenue Account Income and Expenditure Statement**

The Housing Revenue Account's 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 rent and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in year, on the basis on which rents are raised is shown in the movement on the Housing Revenue Account Statement.

|   | <b>HRA<br/>Notes</b> | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|---|----------------------|-------------------------|-------------------------|
| <b>Income</b>   |                      |                         |                         |
| Dwelling Rents  |                      | (10,832)                | (10,603)                |
| Non-dwelling Rents  |                      | (185)                   | (167)                   |
| Other Income  |                      | (841)                   | (797)                   |
| <b>Total Income</b>   |                      | <b>(11,858)</b>         | <b>(11,567)</b>         |
| <b>Expenditure</b>  |                      |                         |                         |
| Repairs and Maintenance   |                      | 4,490                   | 4,181                   |
| Supervision and Management  |                      | 3,174                   | 2,953                   |
| Depreciation and Impairment on Non-Current Assets   |                      | 8,232                   | 6,096                   |
| Movements in the Impairment of Debtors  | 4                    | 179                     | 43                      |
| Other expenditure   |                      | 203                     | 62                      |
| <b>Total Expenditure</b>  |                      | <b>16,278</b>           | <b>13,335</b>           |
| <b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>                 |                      | <b>4,420</b>            | <b>1,768</b>            |
| HRA Services' Share of Corporate and Democratic Core  |                      | 10                      | 14                      |
| <b>Net Cost for HRA Services</b>  |                      | <b>4,430</b>            | <b>1,782</b>            |
| HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: |                      |                         |                         |
| • (Gain) or Loss on Sale of HRA Non-Current Assets  |                      | 3                       | 380                     |
| • Interest Payable and Similar Charges  |                      | 1,090                   | 1,103                   |
| • Interest and Investment Income  |                      | (36)                    | (18)                    |
| • Pension Interest Cost and Expected Return on Pension Assets   |                      | 119                     | 229                     |
| • Rental Income – operating lease over Property, Plant and Equipment  |                      | (197)                   | (190)                   |
| • Capital Grants and Contributions Receivable   |                      | (3,019)                 | (371)                   |
| <b>(Surplus) or Deficit for the Year on HRA Services</b>  |                      | <b>2,390</b>            | <b>2,915</b>            |



# Notes to the Housing Revenue Account

## Movement on the Housing Revenue Account Statement

|   | <b>HRA<br/>Notes</b> | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|---|----------------------|-------------------------|-------------------------|
| (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement |                      | 2,390                   | 2,915                   |
| Adjustments between Accounting Basis and Funding Basis Under Statute      |                      | (2,479)                 | (3,300)                 |
| Net (Increase) or Decrease Before Transfers to or from Reserves           |                      | (89)                    | (385)                   |
| (Increase) or Decrease in Year on the HRA                                 |                      | (89)                    | (385)                   |
| Balance on the HRA at the end of the Previous Year                        |                      | (1,629)                 | (1,244)                 |
| <b>Balance on the HRA at the end of the Current Year</b>                  |                      | <b>(1,718)</b>          | <b>(1,629)</b>          |

## Housing Revenue Account Disclosures

### 1. Adjustments between Accounting Basis and Funding Basis under Statute

|   | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|---|-------------------------|-------------------------|
| Gain or loss on sale of HRA non-current assets              | (3)                     | (380)                   |
| Capital expenditure funded by the HRA                       | 300                     | 500                     |
| Transfer to/from the Capital Adjustment Account:            |                         |                         |
| • Depreciation  | (8,232)                 | (6,096)                 |
| • Capital Grants and Contributions                          | 3,019                   | 371                     |
| • Repayment of Debt   | 3,009                   | 2,913                   |
| HRA share of contributions to or from the Pensions Reserve  | (569)                   | (604)                   |
| Transfer to/from the Statutory Compensated Absences Account | (3)                     | (4)                     |
|   | <b>(2,479)</b>          | <b>(3,300)</b>          |

### 2. Housing Stock

Council's housing stock at 31 March 2019 was 2,954 (2,939 at March 2018) in the following categories:

|              | <b>2018/19<br/>Number</b> | <b>2017/18<br/>Number</b> |
|--------------|---------------------------|---------------------------|
| 1 Apartment  | 159                       | 172                       |
| 2 Apartment  | 937                       | 912                       |
| 3 Apartment  | 1,267                     | 1,263                     |
| 4 Apartment  | 509                       | 511                       |
| 5 Apartment  | 78                        | 77                        |
| 6 Apartment  | 4                         | 4                         |
| <b>Total</b> | <b>2,954</b>              | <b>2,939</b>              |



## **Notes to the Housing Revenue Accounts (cont'd)**

### **3. Rent Arrears**

At the year end rent arrears amounted to £876,108 (2017/18: £724,763) of which the current rent arrears were £522,881 (2017/18: £452,453) representing 3.7% (2017/18: 3.2%) of gross rent due and former tenant arrears amounted to £353,227 (2017/18: £272,310). In addition, the figure contains £16,751 (2017/18: £17,284) in respect of outstanding Housing Benefit Overpayments.

### **4. Impairment of Debtors**

In the financial year 2018/19, the bad debt provision for the Housing Revenue Account was increased by £179,190, resulting in a bad debt provision balance of £844,938 (2017/18: £665,748).

### **5. Void Rents**

The loss of rental income recoverable from houses that were not let during the year totalled £327,244 (2017/18: £222,628).



## National Non Domestic Rates

National Non Domestic Rates (NNDR) income is collected by local authorities on behalf of the Scottish Government. The amount of NNDR income distributed to the Council by the Scottish Government is aligned to the amount collected by the Council. The table below details the actual levels of NNDR collected by East Renfrewshire Council, the agreed Provisional Contribution Amount to the national pool and the Distributable amount due to the Council from the national pool.

The Business Rates Incentivisation Scheme (BRIS) is intended to encourage all local authorities to maximise their existing business rates income and also to encourage new businesses to start up. Each local authority that exceeds its calculated local buoyancy target will be able to retain a 50% share of the additional rates income generated, where it can be demonstrated that there is a corresponding increase in rateable value. In accordance with the guidance, the table below describes this element of Non Domestic Rates increase as “income retained by the authority”.

|   | <b>2018/19</b> | <b>2017/18</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Gross rates levied and the contributions in lieu  | 20,647         | 20,161         |
| Less:   |                |                |
| • Reliefs and other deductions  | (6,058)        | (5,347)        |
| • Payments of interest  | -              | -              |
| • Write-offs of uncollectable debts and allowance for impairment                              | (170)          | (309)          |
| <b>Net Non Domestic Rate Income collected</b>   | <b>14,419</b>  | <b>14,505</b>  |
| Collection adjustment to meet Provisional Contribution Amount                                 | 1,118          | 582            |
| <b>Contribution to Non Domestic Rate pool</b>   | <b>15,537</b>  | <b>15,087</b>  |
| Distribution from Non Domestic Rate pool  | 14,318         | 14,427         |
| Adjustments for years prior to the pool   | -              | -              |
| Non-Domestic Rate income retained by Authority (BRIS)   | -              | 125            |
| <b>Income credited to the Comprehensive Income and Expenditure Statement (as per Note 15)</b> | <b>14,318</b>  | <b>14,552</b>  |

### Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2018/19 was £0.48 (2017/18 £0.466)

|                                  | <b>Number</b> | <b>Rateable Value<br/>as at 1 April 2018<br/>£</b> |
|----------------------------------|---------------|--|
| Shops                            | 594           | 16,099,900   |
| Offices                          | 347           | 3,749,220  |
| Hotels, Boarding Houses etc.     | 9             | 640,000  |
| Industrial and Freight Transport | 159           | 1,456,470  |
| Subject Miscellaneous            | 425           | 18,212,178   |
| Subjects Other                   | 274           | 3,698,420  |
| <b>Total</b>                     | <b>1,808</b>  | <b>43,856,188</b>                                  |



## **Council Tax**

Local authorities raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued property (E to H) paying more. The Council Tax Income Account 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.

|   | <b>2018/19</b> | <b>2017/18</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Gross Council Tax levied and contributions in lieu  | 60,545         | 58,337         |
| Adjustments for prior years Council Tax   | (144)          | (275)          |
| Adjusted for:   |                |                |
| • Council Tax Reduction Scheme  | (3,601)        | (3,654)        |
| • Council Tax Benefits (Net of Government Grants)   | 13             | 21             |
| • Other discounts and reductions  | (6,012)        | (5,617)        |
| • Uncollectable debt and allowance for impairment   | (687)          | (740)          |
| <b>Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 15)</b> | <b>50,114</b>  | <b>48,072</b>  |

### **Calculation of the council tax**

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest "A" to the highest "H". The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands that are based on pre-determined proportions relative to the band D charge. The band D charge for 2018/19 was £1,194.57 (2017/18: £1,159.78).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 10% are applied to unoccupied properties. Certain persons are disregarded for Council Tax purposes, including people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. East Renfrewshire Council collects total monies and makes a precept payment to Scottish Water on the basis of collection levels based on a pre-determined formula. The figures below exclude the water and sewerage charges.

**Council Tax (cont'd)****Calculation of the Council Tax Base 2018/19\***

|        | No. of Dwellings | No. of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D                   | Band D Equivalents |
|--------|------------------|-------------------|-----------------|---------------|---------------|-----------------|-----------------------------------|--------------------|
| BAND A | 1,342            | (140)             | 18              | (196)         | (39)          | 985             | 240/360                           | 655                |
| BAND B | 5,231            | (261)             | 5               | (609)         | (33)          | 4,334           | 280/360                           | 3,370              |
| BAND C | 4,013            | (125)             | 48              | (402)         | (25)          | 3,510           | 320/360                           | 3,120              |
| BAND D | 6,571            | (130)             | (21)            | (615)         | (21)          | 5,785           | 360/360                           | 5,785              |
| BAND E | 8,240            | (119)             | (11)            | (529)         | (20)          | 7,561           | 473/360                           | 9,934              |
| BAND F | 6,149            | (43)              | (33)            | (294)         | (16)          | 5,763           | 585/360                           | 9,365              |
| BAND G | 6,398            | (56)              | (6)             | (263)         | (22)          | 6,052           | 705/360                           | 11,851             |
| BAND H | 733              | (4)               | -               | (15)          | (2)           | 712             | 882/360                           | 1,744              |
|        |                  |                   |                 |               |               |                 | <b>TOTAL</b>                      | <b>45,824</b>      |
|        |                  |                   |                 |               |               |                 | Provision for non-collection (2%) | (916)              |
|        |                  |                   |                 |               |               |                 | Council Tax Base                  | 44,908             |

\*Source: A Questionnaire requested by the Scottish Government entitled Council Tax Base 2017 amended to reflect the Scottish Government multipliers for houses E to H

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to East Renfrewshire Council, the band D charge for 2018/19 was £1,194.57.

|        |           |        |           |
|--------|-----------|--------|-----------|
| BAND A | £796.38   | BAND E | £1,569.54 |
| BAND B | £929.11   | BAND F | £1,941.18 |
| BAND C | £1,061.84 | BAND G | £2,339.37 |
| BAND D | £1,194.57 | BAND H | £2,926.70 |





## Common Good Fund

The earliest legislation which reflects the existence of the Common Good can be traced back to the Common Good Act 1491. The term common good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these funds but they are not council assets and have not been included in the council's balance sheet. The in year movement relates to the capital accounting entries and is not based on costs incurred or income received.

### Movement in Reserves statement for the year ending 31 March 2019

|  | 2018/19<br>Unusable<br>Reserve<br>£000 | 2017/18<br>Unusable<br>Reserve<br>£000 |
|--|--|--|
| <b>Balance at 1 April</b>                        | <b>(1,652)</b>                         | <b>(1,654)</b>                         |
| Deficit / (surplus) on the provision of services | (147)                                  | -                                      |
| Other comprehensive income and expenditure       | (154)                                  | 2                                      |
| <b>Balance at 31 March</b>                       | <b>(1,953)</b>                         | <b>(1,652)</b>                         |

### Comprehensive Income and Expenditure Statement for the year ending 31 March 2019

|  | Expenditure<br>£000 | 2018/19<br>Income<br>£000 | Net<br>£000  | Expenditure<br>£000 | 2017/18<br>Income<br>£000 | Net<br>£000 |
|--|---------------------|---------------------------|--------------|---------------------|---------------------------|-------------|
| Net costs of services                              | 70                  | (217)                     | (147)        | 66                  | (64)                      | 2           |
| <b>(Surplus) or deficit</b>                        |                     |                           |              |                     |                           |             |
| (Surplus) / deficit on revaluation of fixed assets |                     |                           | (154)        |                     |                           | -           |
| <b>Total Comprehensive Income and Expenditure</b>  |                     |                           | <b>(301)</b> |                     |                           | <b>2</b>    |

### Balance Sheet

|                               | 2018/19<br>£000 | 2017/18<br>£000 |
|-------------------------------|-----------------|-----------------|
| Property, Plant and Equipment | 1,953           | 1,652           |
| <b>Net Assets</b>             | <b>1,953</b>    | <b>1,652</b>    |
| Unusable Reserve:             |                 |                 |
| Revaluation Reserve           | (693)           | (552)           |
| Capital Adjustment Account    | (1,260)         | (1,100)         |
| <b>Net Reserves</b>           | <b>(1,953)</b>  | <b>(1,652)</b>  |

**Common Good Fund (cont'd)****PROPERTY, PLANT & EQUIPMENT****Movement on Balances (Common Good)**

|  | <b>Land and Buildings<br/>2018/19<br/>£000</b> | <b>Land and Buildings<br/>2017/18<br/>£000</b> |
|--|--|--|
| Cost or Valuation at 1 April   | 1,718  | 1,654  |
| Additions  | -  | 64   |
| Donations  | -  | -  |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 154  | -  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 217  | -  |
| Derecognition – disposals  | -  | -  |
| Derecognition – other  | -  | -  |
| Assets reclassified (to)/from Held for Sale  | -  | -  |
| Other movements in cost or valuation   | (113)  | -  |
| <b>As at 31 March</b>  | <b>1,976</b>                                   | <b>1,718</b>                                   |
| Accumulated Depreciation and Impairment at 1 April   | (66)   | -  |
| Depreciation charge  | (70)   | (66)   |
| Depreciation written out on revaluation and disposal   | 113  | -  |
| Derecognition – other (transfers)  | -  | -  |
| <b>As at 31 March</b>  | <b>(23)</b>                                    | <b>(66)</b>                                    |
| <b>Net Book Value at 31 March 2019</b>   | <b>1,953</b>                                   |  |
| <b>Net Book Value at 31 March 2018</b>   | <b>1,652</b>                                   | <b>1,652</b>                                   |
| <b>Net Book Value at 31 March 2017</b>   |  | <b>1,654</b>                                   |



# Group Comprehensive Income & Expenditure Statement

This statement 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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

| Year ended 31 March 2018 (Restated) |                       |                          | Year ended 31 March 2019  |                            |                       |                          |
|-------------------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| Gross Expenditure<br>£'000          | Gross Income<br>£'000 | Net Expenditure<br>£'000 |   | Gross Expenditure<br>£'000 | Gross Income<br>£'000 | Net Expenditure<br>£'000 |
| 145,736                             | (25,613)              | 120,123                  | Education   | 134,192                    | (11,028)              | 123,164                  |
| 108,555                             | (64,566)              | 43,989                   | HSCP – Provision of Services  | 113,901                    | (65,951)              | 47,950                   |
| 36,515                              | (7,920)               | 28,595                   | Environment   | 40,634                     | (8,447)               | 32,187                   |
| 21,992                              | (15,814)              | 6,178                    | Corporate & Community – Community Resources   | 22,218                     | (15,839)              | 6,379                    |
| 346                                 | (185)                 | 161                      | Chief Executive's Office  | 373                        | (115)                 | 258                      |
| 5,825                               | (4,865)               | 960                      | Other Expenditure   | 14,006                     | (4,165)               | 9,841                    |
| 3,267                               | (261)                 | 3,006                    | Support Services – Chief Executive's Office   | 3,488                      | (235)                 | 3,253                    |
| 12,084                              | (1,945)               | 10,139                   | Support Services – Corp & Comm  | 11,526                     | (674)                 | 10,852                   |
| 971                                 | (1,963)               | (992)                    | Support Services – Environment  | 2,595                      | (435)                 | 2,160                    |
|                                     |                       |                          | Share of operating results of subsidiaries:-  |                            |                       |                          |
| 8,635                               | (3,379)               | 5,256                    | ERC Leisure Trust   | 15,431                     | (9,355)               | 6,076                    |
| 66                                  | (64)                  | 2                        | Common Good   | 70                         | (217)                 | (147)                    |
| 35                                  | (20)                  | 15                       | Trust Funds   | 14                         | (10)                  | 4                        |
| <b>344,027</b>                      | <b>(126,595)</b>      | <b>217,432</b>           | <b>Net Cost of General Fund Services</b>  | <b>358,448</b>             | <b>(116,471)</b>      | <b>241,977</b>           |
| 13,335                              | (11,567)              | 1,768                    | HRA   | 16,278                     | (11,858)              | 4,420                    |
| <b>357,362</b>                      | <b>(138,162)</b>      | <b>219,200</b>           | <b>Cost of Services</b>   | <b>374,726</b>             | <b>(128,329)</b>      | <b>246,397</b>           |
|                                     |                       | (561)                    | Other operating expenditure   |                            |                       | (1,818)                  |
|                                     |                       | 14,461                   | Financing and investment income and expenditure                                     |                            |                       | 12,292                   |
|                                     |                       | (233,894)                | Taxation and non-specific grant income  |                            |                       | (245,766)                |
|                                     |                       | <b>(794)</b>             | <b>(Surplus) / Deficit on Provision of Services</b>                                 |                            |                       | <b>11,105</b>            |
|                                     |                       | (3,796)                  | Share of operating results of associates  |                            |                       | (449)                    |
|                                     |                       | (225)                    | Share of operating results of joint venture   |                            |                       | (264)                    |
|                                     |                       | <b>(4,815)</b>           | <b>Group (Surplus) / Deficit (Note 1 Group)</b>                                     |                            |                       | <b>10,392</b>            |
|                                     |                       | (45,939)                 | (Surplus) / Deficit on revaluation of fixed assets                                  |                            |                       | (11,747)                 |
|                                     |                       | (102,699)                | Actuarial (gains)/losses on pension assets/liabilities                              |                            |                       | 35,336                   |
|                                     |                       | (2,895)                  | Share of other comprehensive expenditure and income of associates and joint venture |                            |                       | 598                      |
|                                     |                       | <b>(151,533)</b>         | <b>Other Comprehensive (Income) and Expenditure</b>                                 |                            |                       | <b>24,187</b>            |
|                                     |                       | <b>(156,348)</b>         | <b>Total Comprehensive (Income) and Expenditure</b>                                 |                            |                       | <b>34,579</b>            |

\*For details on the restatement of 2017/18 please see note 2 on page 65



## Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority along with the share of reserves of its subsidiary, associates and joint venture, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the movements chargeable to council tax (or rents) for the year.

The Increase/Decrease line shows the statutory Group General Fund Balance and Housing Revenue Account Balance movements in the year following these adjustments.

|  | Unallocated General Fund Balance<br>£000 | Earmarked General Fund Balance<br>£000 | Housing Revenue Account<br>£000 | Repairs & Renewals Fund<br>£000 | Insurance Fund<br>£000 | Capital Reserve<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves Restated<br>£000 | Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves<br>£000 | Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves<br>£000 | Total Authority Reserves<br>£000 |
|--|--|--|---------------------------------|---------------------------------|------------------------|-------------------------|-------------------------------|------------------------------------|--|--|----------------------------------|
| <b>Balance at 31 March 2018 carried forward</b>                        | <b>(10,133)</b>                          | <b>(16,297)</b>                        | <b>(1,629)</b>                  | <b>(8,410)</b>                  | <b>(1,934)</b>         | <b>(11,454)</b>         | <b>(49,857)</b>               | <b>(383,777)</b>                   | <b>(8,307)</b>   | <b>(9,320)</b>   | <b>(451,261)</b>                 |
| <b>Movement in reserves during 2018/19</b>                             |  |  |                                 |                                 |                        |                         |                               |                                    |  |  |                                  |
| Total Comprehensive Income and Expenditure                             | 7,861                                    | -                                      | 2,390                           | -                               | -                      | -                       | 10,251                        | 22,003                             | 76   | 2,249  | 34,579                           |
| Adjustments between accounting basis & funding basis under regulations | (10,068)                                 | -                                      | (2,479)                         | -                               | -                      | 8,466                   | (4,081)                       | 4,081                              | -  | -  | -                                |
| <b>(Increase)/Decrease in 2018/19</b>                                  | <b>(2,207)</b>                           | <b>-</b>                               | <b>(89)</b>                     | <b>-</b>                        | <b>-</b>               | <b>8,466</b>            | <b>6,170</b>                  | <b>26,084</b>                      | <b>76</b>  | <b>2,249</b>   | <b>34,579</b>                    |
| <b>Net transfer to or from Reserves</b>                                | <b>1,786</b>                             | <b>(2,752)</b>                         | <b>-</b>                        | <b>1,829</b>                    | <b>(16)</b>            | <b>(847)</b>            | <b>-</b>                      | <b>-</b>                           | <b>-</b>   | <b>-</b>   | <b>-</b>                         |
| <b>Balance at 31 March 2019 carried forward</b>                        | <b>(10,554)</b>                          | <b>(19,049)</b>                        | <b>(1,718)</b>                  | <b>(6,581)</b>                  | <b>(1,950)</b>         | <b>(3,835)</b>          | <b>(43,687)</b>               | <b>(357,693)</b>                   | <b>(8,231)</b>   | <b>(7,071)</b>   | <b>(416,682)</b>                 |
|  |  |  |                                 |                                 |                        |                         |                               |                                    |  |  |                                  |
| <b>Balance at 31 March 2017 carried forward</b>                        | <b>(9,754)</b>                           | <b>(11,604)</b>                        | <b>(1,244)</b>                  | <b>(9,514)</b>                  | <b>(1,925)</b>         | <b>(19,568)</b>         | <b>(53,609)</b>               | <b>(228,675)</b>                   | <b>(5,267)</b>   | <b>(7,362)</b>   | <b>(294,913)</b>                 |
| <b>Movement in reserves during 2017/18</b>                             |  |  |                                 |                                 |                        |                         |                               |                                    |  |  |                                  |
| Total Comprehensive Income and Expenditure                             | (4,526)                                  | -                                      | 2,915                           | -                               | -                      | -                       | (1,611)                       | (149,739)                          | (3,040)  | (1,958)  | (156,348)                        |
| Adjustments between accounting basis & funding basis under regulations | (2,837)                                  | -                                      | (3,300)                         | -                               | -                      | 11,500                  | 5,363                         | (5,363)                            | -  | -  | -                                |
| <b>(Increase)/Decrease in 2017/18</b>                                  | <b>(7,363)</b>                           | <b>-</b>                               | <b>(385)</b>                    | <b>-</b>                        | <b>-</b>               | <b>11,500</b>           | <b>3,752</b>                  | <b>(155,102)</b>                   | <b>(3,040)</b>   | <b>(1,958)</b>   | <b>(156,348)</b>                 |
| <b>Net transfer to or from Reserves</b>                                | <b>6,984</b>                             | <b>(4,693)</b>                         | <b>-</b>                        | <b>1,104</b>                    | <b>(9)</b>             | <b>(3,386)</b>          | <b>-</b>                      | <b>-</b>                           | <b>-</b>   | <b>-</b>   | <b>-</b>                         |
| <b>Balance at 31 March 2018 carried forward</b>                        | <b>(10,133)</b>                          | <b>(16,297)</b>                        | <b>(1,629)</b>                  | <b>(8,410)</b>                  | <b>(1,934)</b>         | <b>(11,454)</b>         | <b>(49,857)</b>               | <b>(383,777)</b>                   | <b>(8,307)</b>   | <b>(9,320)</b>   | <b>(451,261)</b>                 |



# Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority and its Group entities. The net assets of the authority (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| Restated<br>1 April 2017<br>£000 | Restated<br>31 March 2018<br>£000 |  | 31 March 2019<br>£000 |
|----------------------------------|-----------------------------------|--|-----------------------|
| 589,459                          | 666,579                           | Property, Plant & Equipment  | 688,913               |
| 234                              | 234                               | Heritage Assets  | 234                   |
| 143                              | 236                               | Intangible Assets  | 386                   |
| 10,262                           | 16,499                            | Long-term Investments and/or<br>Investments in Associates and Joint<br>Venture | 16,860                |
| 246                              | 241                               | Investments  | 271                   |
| <b>600,344</b>                   | <b>683,789</b>                    | <b>Long Term Assets</b>  | <b>706,664</b>        |
| 768                              | 1,037                             | Assets Held for Sale   | 1,034                 |
| 359                              | 344                               | Short Term Intangible Assets   | 447                   |
| 363                              | 458                               | Inventories  | 475                   |
| 13,356                           | 13,684                            | Short Term Debtors   | 15,972                |
| 5,000                            | 24,000                            | Short Term Investments   | 33,997                |
| 36,452                           | 35,692                            | Cash and Cash Equivalents  | 31,989                |
| <b>56,298</b>                    | <b>75,215</b>                     | <b>Current Assets</b>  | <b>83,914</b>         |
| (1,764)                          | (2,617)                           | Short Term Borrowing   | (2,163)               |
| (3,126)                          | (4,308)                           | Finance Leases including PFI/PPP   | (4,732)               |
| (43,225)                         | (41,897)                          | Short Term Creditors   | (49,753)              |
| (155)                            | (130)                             | Provisions   | (152)                 |
| <b>(48,270)</b>                  | <b>(48,952)</b>                   | <b>Current Liabilities</b>   | <b>(56,800)</b>       |
| (152)                            | (159)                             | Provisions – long term   | (151)                 |
| (62,568)                         | (79,951)                          | Long Term Borrowing  | (87,788)              |
| (341)                            | (92)                              | Long Term Creditors  | (93)                  |
| (988)                            | (309)                             | Liabilities in associates and joint venture                                    | (555)                 |
| (72,825)                         | (90,481)                          | PFI/PPP Finance Lease  | (85,748)              |
| (172,791)                        | (83,161)                          | Defined Benefit Pension Liability  | (138,663)             |
| (3,794)                          | (4,638)                           | Capital Grant Receipts in Advance  | (4,098)               |
| <b>(313,459)</b>                 | <b>(258,791)</b>                  | <b>Long Term Liabilities</b>   | <b>(317,096)</b>      |
| <b>294,913</b>                   | <b>451,261</b>                    | <b>Net Assets</b>  | <b>416,682</b>        |
| (58,876)                         | (58,164)                          | Usable Reserves  | (51,918)              |
| (236,037)                        | (393,097)                         | Unusable Reserves  | (364,764)             |
| <b>(294,913)</b>                 | <b>(451,261)</b>                  | <b>Total Reserves</b>  | <b>(416,682)</b>      |

Margaret McCrossan CPFA

Head of Accountancy (Chief Financial Officer)

The unaudited accounts were issued on 6 June 2019

The audited accounts, including amendments made following the audit, were authorised for issue on 26 September 2019



## **Group Cash Flow Statement**

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

| <b>2017/18</b>  |   | <b>2018/19</b>  |
|-----------------|---|-----------------|
| <b>£000</b>     |   | <b>£000</b>     |
| (4,815)         | Net Group (surplus) or deficit on the provision of services   | 10,392          |
| (16,788)        | Group adjustments to net surplus or deficit on the provision of services for non-cash movements   | (37,370)        |
| -               | - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | -               |
| (21,603)        | Net cash flows from Operating Activities  | (26,978)        |
| 40,441          | Investing Activities  | 23,729          |
| (18,078)        | Financing Activities  | 6,952           |
| 760             | Net (increase) or decrease in cash and cash equivalents   | 3,703           |
| (36,452)        | Cash and cash equivalents at the beginning of the reporting period  | (35,692)        |
| <b>(35,692)</b> | <b>Cash and cash equivalents at the end of the reporting period</b>   | <b>(31,989)</b> |



## **Notes to the Group Accounts**

### **1. RECONCILIATION OF EAST RENFREWSHIRE COUNCIL'S SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT**

**PURPOSE** This statement shows how the (surplus)/deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the Group Accounts.

|  | <b>2018/19<br/>£000</b> | <b>2017/18<br/>£000</b> |
|--|-------------------------|-------------------------|
| <b>(Surplus)/Deficit on East Renfrewshire Council's provision of services</b>                | <b>10,251</b>           | <b>(1,611)</b>          |
| <b>(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:</b>       |                         |                         |
| Net expenditure/(income) on Trust Funds in year  | 1                       | 13                      |
| Common Good  | (147)                   | 2                       |
| East Renfrewshire Culture and Leisure Trust  | 1,000                   | 802                     |
| <b>(Surplus)/Deficit in year arising from associates included in the Group Accounts:</b>     |                         |                         |
| • Strathclyde Partnership for Transport  | (524)                   | (3,897)                 |
| • Strathclyde Concessionary Travel Scheme Joint Committee                                    | 12                      | 6                       |
| • Renfrewshire Valuation Board   | 63                      | 95                      |
| <b>(Surplus)/Deficit in year arising from a joint venture included in the Group Account:</b> |                         |                         |
| East Renfrewshire Integration Joint Board  | (264)                   | (225)                   |
| <b>GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>                 | <b>10,392</b>           | <b>(4,815)</b>          |





## **Notes to the Group Accounts (cont'd)**

### **2. COMBINING ENTITIES**

The following entities have been consolidated into the Group Statements as subsidiaries of the council.

#### **Subsidiaries:-**

##### **Common Good and Charitable Trusts**

Barrhead Common Good along with the Council's Charitable Trust Funds are administered by East Renfrewshire Council (as sole trustee) and are treated as subsidiaries within Council's Group Accounts, within assets, liabilities, reserves, income and expenses being consolidated line-by-line.

##### **East Renfrewshire Culture and Leisure Trust**

East Renfrewshire Culture and Leisure Trust was incorporated on 2 July 2015 as a company limited by guarantee. The company is also a registered charity, with East Renfrewshire Council being the sole member. The Council provides funding to the Trust based on an agreed service plan; however, the limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company will promote, advance and further charitable purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

After accounting for FRS 102 Retirement Benefits, the net liabilities of the company were £3.296m at 31 March 2019. The loss on ordinary activities before and after taxation for the year to 31 March 2019 was £1.00m (2017/18 £0.802m).

The latest set of audited accounts is for the year to 31 March 2019. Copies of the audited accounts may be obtained from the Chief Executive, East Renfrewshire Culture and Leisure Trust, St John's Campus, 18 Commercial Road, Barrhead, East Renfrewshire, G78 1AJ.

The Council also exercises a significant influence over a number of entities, details of which are listed below. All of these bodies share the same financial year as the Council and have all been incorporated into the Group Accounts as either associates or joint ventures.

#### **Associates:-**

##### **Strathclyde Partnership for Transport**

Is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland.



## **Notes to the Group Accounts (cont'd)**

The Council contributed £1.53m or 4.27% to the Authority's running costs during 2018/19 and accounted for £14.138m (2017/18 £14.029m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Authority are subject to independent audit and are available from The Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

### **Strathclyde Concessionary Travel Scheme Joint Committee**

Comprises the 12 Councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 constituent Councils and by direct grant funding from the Scottish Government. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Board.

During 2018/19 the Council contributed £0.171m or 4.17% to the annual running costs and accounted for £0.053m (2017/18 £0.065m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

### **The Renfrewshire Valuation Joint Board**

Is an independent public body formed in 1996 at local government reorganisation by an Act of Parliament. The Council has no shares in, nor ownership of the Board. The Board's running costs are met by the three councils of East Renfrewshire, Inverclyde and Renfrewshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The accounts of the Board are subject to audit and are available from the Treasurer of the Renfrewshire Valuation Joint Board, Renfrewshire Council, Council Headquarters, Paisley PA1 1JB.

The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East Renfrewshire, Inverclyde and Renfrewshire. East Renfrewshire Council contributed £0.458m or 20.6% to the organisation's revenue costs and its share of the year- end net liability of £0.582m (2017/18 £0.348m) is included in the Group Balance Sheet.

### **Joint Venture:-**

#### **East Renfrewshire Integration Joint Board**

The East Renfrewshire Integration Joint Board was formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between East Renfrewshire Council and the Greater Glasgow & Clyde Health Board.

Integration Joint Boards are specified as Section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Local Authority Accounting in



## **Notes to the Group Accounts (cont'd)**

the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS).

The East Renfrewshire Integration Joint Board receives contributions from its funding partners, namely East Renfrewshire Council and the Greater Glasgow and Clyde Health Board to fund its services. Expenditure is incurred in the form of charges for services provided to the Joint Board by its partners.

During 2018/19 the Council contributed £66m or 43% to the annual running costs and accounted for £2.669m (2017/18 £2.405m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Chief Financial Officer to the East Renfrewshire Integration Joint Board, Eastwood Health and Care Centre, Drumby Crescent, Clarkston, G76 7HN.

### **3. FINANCIAL IMPACT OF CONSOLIDATION**

The effect of inclusion of the Common Good along with the subsidiary, associate and joint venture entities and the trust fund balances on the Group Balance Sheet is to increase both Reserves and net assets by £15.302m, representing the Council's net share of the net assets in these entities.

### **4. ACCOUNTING POLICIES**

The financial statements in the Group Accounts of East Renfrewshire Council are prepared in accordance with the accounting policies set out for the single entity.

### **5. PENSIONS**

Disclosure of information relating to the pensions of East Renfrewshire Council and its associates follows the reporting requirements of IAS19 Employee Benefits. Information relating to the pensions of subsidiaries follows the reporting requirements of FRS102 (The financial Reporting Standard applicable in the UK and Republic of Ireland) and includes separate assumptions for their actuarial valuation.

### **6. GOING CONCERN**

The Council's share of East Renfrewshire Culture & Leisure Trust's (ERCLT) net reserves is a net liability, this liability is a direct consequence of the requirement to fully account for Employee Benefits. The pension liability, due in future years, will be financed by annual pension contributions and returns on pension fund investments.

ERCLT has prepared their accounts on a going concern basis, as has the Council in preparing its Group Financial Statements as it is expected that funding, aligned with robust budget processes, will continue to provide sufficient resources.



## Notes to the Group Accounts (cont'd)

### 7. TRUST FUNDS

The Council acts as Trustees for 17 Trusts, 7 of which have charitable status. These are varied in nature and relate principally to legacies left by individual inhabitants over a period of years. The funds do not represent assets of the Council and are not included in the Council's single entity Balance Sheet.

|  |                                  | Balance<br>31.03.18<br>£ | Expenditure<br>£ | Income<br>£   | Balance<br>31.03.19<br>£ |
|--|----------------------------------|--------------------------|------------------|---------------|--------------------------|
| Charity Number                           |                                  |                          |                  |               |                          |
| SCO05976                                 | Duff Memorial Fund               | 7,293                    | -                | 101           | 7,394                    |
| SCO16641                                 | Newton Mearns Benevolent Fund    | 4,244                    | 876              | 49            | 3,417                    |
| SCO19475                                 | Janet Hamilton Fund              | 15,320                   | 1,382            | 669           | 14,607                   |
| SCO19474                                 | John Pattison Memorial           | 77                       | -                | 82            | 159                      |
| SCO19473                                 | Hugh & Janet Martin Fund         | 1,421                    | 493              | 144           | 1,072                    |
| SCO37293                                 | Netherlee School 1937            | 78                       | 10,000           | 10,127        | 205                      |
| SCO37925                                 | Talented Children & Young People | 11                       | -                | 5             | 16                       |
| <b>CHARITABLE REVENUE BALANCES</b>       |                                  | <b>28,444</b>            | <b>12,751</b>    | <b>11,177</b> | <b>26,870</b>            |
|  | Thornliebank War Memorial Fund   | 689                      | -                | 7             | 696                      |
|  | Anderson Bequest                 | 343                      | 243              | 12            | 112                      |
|  | Cathcart Cemetery Fund           | 6,157                    | -                | 79            | 6,236                    |
|  | Crum Memorial                    | 54                       | -                | 9             | 63                       |
|  | McNiven Prize                    | 907                      | -                | 16            | 923                      |
|  | Rev Denis Reen                   | 2,157                    | -                | 35            | 2,192                    |
|  | James Cowan Bequest              | 372                      | -                | 16            | 388                      |
|  | Cowan Park Cropping Fund         | 19                       | -                | 4             | 23                       |
|  | Annie Tyson Trust Fund           | 47,334                   | 1,000            | 1,730         | 48,064                   |
|  | Rita Donnelly Memorial Prize     | 20                       | -                | -             | 20                       |
| <b>OTHER TRUST FUND REVENUE BALANCES</b> |                                  | <b>58,052</b>            | <b>1,243</b>     | <b>1,908</b>  | <b>58,717</b>            |

|  |                                  |   | Capital Value of<br>Fund |                |
|--|----------------------------------|---|--------------------------|----------------|
|  |                                  |   | 31.03.19<br>£            | 31.03.18<br>£  |
| <b>The Principal Funds</b>             | Duff Memorial Fund               | For the upkeep of Duff Memorial Hall                                    | 4,646                    | 4,646          |
|  | Janet Hamilton Fund              | Assisting the sick requiring nursing or hospital treatment              | 40,131                   | 40,131         |
|  | John Pattison Memorial           | Assisting the deserving poor in Barrhead                                | 9,657                    | 9,657          |
|  | Hugh & Janet Martin Fund         | For charitable and educational purposes                                 | 15,574                   | 15,574         |
|  | Netherlee School 1937            | To advance the education of the pupils of Netherlee Primary             | 15,000                   | 15,000         |
|  | Talented Children & Young People | For talented children and young people in the fields of arts and crafts | 555                      | 555            |
|  | Other – Charitable               |   | 1,500                    | 1,500          |
| <b>CHARITABLE TOTAL RESERVES</b>       |                                  |   | <b>87,063</b>            | <b>87,063</b>  |
|  | Annie Tyson Trust Fund           | Assisting with special needs training                                   | 157,306                  | 157,306        |
|  | Other Trust Funds                |   | 10,256                   | 10,256         |
| <b>OTHER TRUST FUND TOTAL RESERVES</b> |                                  |   | <b>167,562</b>           | <b>167,562</b> |



## Notes to the Group Accounts (cont'd)

|   |                          | 2018/19        | 2017/18        |
|---|--------------------------|----------------|----------------|
|   |                          | £              | £              |
| <b>Balance Sheet</b><br><b>– Charitable</b> | Fund balances            | 113,933        | 115,507        |
|   | Creditors                | -              | -              |
|   | <b>TOTAL LIABILITIES</b> | <b>113,933</b> | <b>115,507</b> |
|   | Investments              | -              | -              |
|   | Debtors                  | -              | -              |
|   | Due by Loans Fund        | 113,933        | 115,507        |
|   | <b>TOTAL ASSETS</b>      | <b>113,933</b> | <b>115,507</b> |

|  |                          | 2018/19        | 2017/18        |
|--|--------------------------|----------------|----------------|
|  |                          | £              | £              |
| <b>Balance Sheet</b><br><b>– Other Trust Funds</b> | Fund balances            | 226,279        | 225,614        |
|  | Creditors                | -              | -              |
|  | <b>TOTAL LIABILITIES</b> | <b>226,279</b> | <b>225,614</b> |
|  | Investments              | -              | -              |
|  | Debtors                  | -              | -              |
|  | Due by Loans Fund        | 226,279        | 225,614        |
|  | <b>TOTAL ASSETS</b>      | <b>226,279</b> | <b>225,614</b> |



## **Notes to the Group Accounts (cont'd)**

### **8. NON MATERIAL INTEREST IN JOINT COMMITTEES**

The Council has an interest in a number of Joint Committees that have not been consolidated within the group accounts. In aggregate they are considered to be immaterial to the understanding of the accounts.

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £70,157 (2017/18, £69,647) representing 2% (2017/18, 2%) of the organisation's estimated running costs for the year to 31 March 2019.
- The **Glasgow and Clyde Valley Structure Plan** Joint Committee is constituted under a formal agreement of the eight Councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for the local planning matters in their area but also the strategic issues that cover the wider area of Glasgow and Clyde Valley. Accordingly the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. During the year, the Council made a contribution of £72,438 (2017/18, £72,438) representing 12.5% (2017/18, 12.5%) of the Committee's estimated running costs for the year to 31 March 2019.
- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and education guidance services. During the year, the Council made a contribution of £16,400 (2017/18, £16,400) representing 4.19% (2017/18 4.19%) of the consortium's estimated running costs for the year to 31 March 2019.
- The **West of Scotland Archaeology Service** was set up in 1997 as a Committee of 11 authorities in the region. It is currently funded by 12 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contribution of £7,619 (2017/18, £7,619) representing 5.95% (2017/18 5.95%) of the Committee's estimated running costs for the year to 31 March 2019.
- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSSEC). During the year, the Council made a contribution of £1,632 (2017/18 £1,632) representing 3.87% (2017/18 3.87%) of the Forum's estimated running costs for the year to 31 March 2019.
- The **Glasgow and Clyde Valley Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic



## **Notes to the Group Accounts (cont'd)**

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 aims to deliver a £1.1bn investment programme, including delivery of labour market and innovation programmes. During the year the Council made a contribution of £59,695 (2017/18 £50,753) representing 5.1% (2017/18 5.1%) of the organisation's running costs for the year to March 2019.

- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 32 authorities and the principal activity of the LLP is the provision of information technology solutions to education services. During the year, the Council made a contribution of £78,263 (2017/18 £91,072) representing 2.51% (2017/18 2.51%) of the organisation's running costs for the year to 31 March 2019.





## **Glossary of Terms**

Much of the terminology used in this Report is intended to be self-explanatory. However, the following additional definitions and interpretations of terms used may be helpful.

### **1. Gross Expenditure**

This includes all expenditure attributable to the service / activity including employee costs, expenditure relating to premises and transport, supplies & services, third party payments and capital charges.

### **2. Gross Income**

This includes the charges to individuals and organisations for the direct use of the Council's services.

### **3. Corporate and Democratic Core**

Corporate and Democratic Core costs include the costs of policy making and all other member based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice for Local Authorities stipulates that such costs are to be excluded from the Total Cost relating to the Housing Revenue Account service activity.

### **4. Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **5. Financing Costs**

This includes the annual costs of financing the sums borrowed by the Council covering its capital repayment of loans, interest charges and debt management expenses.

### **6. Specific Government Grant**

This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.

### **7. Capital Expenditure**

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

### **8. Non Current Assets**

These are created by capital expenditure incurred by the Council. This includes buildings and property, vehicles, plant and machinery, roads, computer equipment etc.

### **9. Revaluation Reserve**

The Revaluation Reserve represents the accumulated gains on the revaluation of fixed assets not yet realised through sales. This account cannot be used to support spending.

### **10. Capital Adjustment Account**

The capital adjustment account represents the accumulation of capital resources set aside to meet past expenditure. This account cannot be used to support spending.

### **11. Financial Instruments Adjustment Account**

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account cannot be used to support spending.



## **Glossary of Terms (cont'd)**

### **12. Capital Grant Receipts in Advance**

This contains any capital grants or contributions which have been received where the related capital expenditure has not yet been incurred and will be released to meet the costs of that capital expenditure as appropriate.

### **13. Pension Reserve**

The Local Government Pension Fund (Scotland) Regulations 2003 came into force on 20 December 2003 and require Local Authorities to set up a pension reserve fund for pension scheme surpluses and deficits. This fund is separate from an authority's General Fund and means that any pension scheme surplus / deficit will not impact on local taxation.

### **14. Generally Accepted Accounting Practice in the UK (UK GAAP)**

The overall body of regulation establishing how Company accounts must be prepared in the United Kingdom. The basis on which Local Authority accounts were previously prepared.

### **15. International Financial Reporting Standards (IFRS)**

The basis on which Local Authority accounts are currently prepared.

### **16. Subsidiary**

An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

### **17. Associate**

An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

### **18. Joint Venture**

A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

### **19. 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.

### **20. Common Good**

Denotes all assets of the former Burghs not acquired under statutory powers or held under special trusts and reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh



# **Independent Auditor's Report**

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

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

I certify that I have audited the financial statements in the annual accounts of East Renfrewshire Council and its group for the year ended 31 March 2019 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 Sheet, Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, National Non Domestic Rates, Council Tax, the Common Good Fund 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 07 January 2019. This is the first year of my appointment. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

**Risks of material misstatement**

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

**Responsibilities of the Head of Accountancy (Chief Financial Officer) and Audit and Scrutiny Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Head of Accountancy (Chief Financial 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 Head of Accountancy (Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Accountancy (Chief Financial Officer) is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

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

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

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

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

**Other information in the annual accounts**

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of



## **Independent Auditor's Report (cont'd)**

the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Report on other requirements**

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

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

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

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

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

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

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

I have nothing to report in respect of these matters.

#### **Conclusions on wider scope responsibilities**

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

#### **Use of my report**

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

John Cornett, FCPFA  
Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2019

