

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

18 August 2016

Report by Head of Accountancy (Chief Financial Officer)

UNAUDITED ANNUAL ACCOUNTS FOR 2015/16

**PURPOSE OF REPORT**

The Annual Accounts for 2015/16 have been submitted for audit to Audit Scotland and a copy is now attached for consideration by the Audit and Scrutiny Committee.

**RECOMMENDATION**

The Committee is invited to: -

- Note the content of the Annual Accounts for 2015/16.

**BACKGROUND**

The Annual Accounts for 2015/16 have been submitted for audit to Audit Scotland and in line with the Local Authority Accounts (Scotland) Regulations 2014 they are attached as Appendix 1 for consideration by the Audit and Scrutiny Committee.

**REPORT**

The financial position of the Council continues to be satisfactory. In particular, the Accounts show that: -

- An overall surplus for the financial year of £2,595k is recorded in the Accounts. After transfers to earmarked reserves, the Council's non-earmarked General Fund reserve has been reduced by £154k resulting in a balance of £8,880k as at 31 March 2016, this represents 4% of the annual budgeted net revenue expenditure which equates to the Council's policy.
- Transfers totalling £10,786k were made from the General Fund balance to the following reserves:-

○	Capital Reserve	£7,286k
○	Modernisation Fund	£2,000k
○	Repairs & Renewal Fund	£1,000k
○	Insurance Fund	£500k
- Capital Expenditure of £25,683k was invested.
- An operating surplus of £460k on the Housing Revenue Account has been achieved, this increasing the accumulated surplus balance to carry forward of £1,413k.

## **RECOMMENDATION**

The Committee is invited to: -

- Note the content of the Annual Accounts for 2015/16.

## **REPORT AUTHOR**

Head of Accountancy - Margaret McCrossan  
Chief Accountant - Barbara Clark Tel 0141 577 3068  
E-mail. [Barbara.Clark@EastRenfrewshire.gov.uk](mailto:Barbara.Clark@EastRenfrewshire.gov.uk)

## **BACKGROUND PAPERS**

This report refers to the Council's Annual Accounts for 2015/16.

## **KEY WORDS**

Annual Accounts, external audit

East Renfrewshire Council

# Annual Report and accounts

2015/16



# PRE-AUDIT

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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 2015/16 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

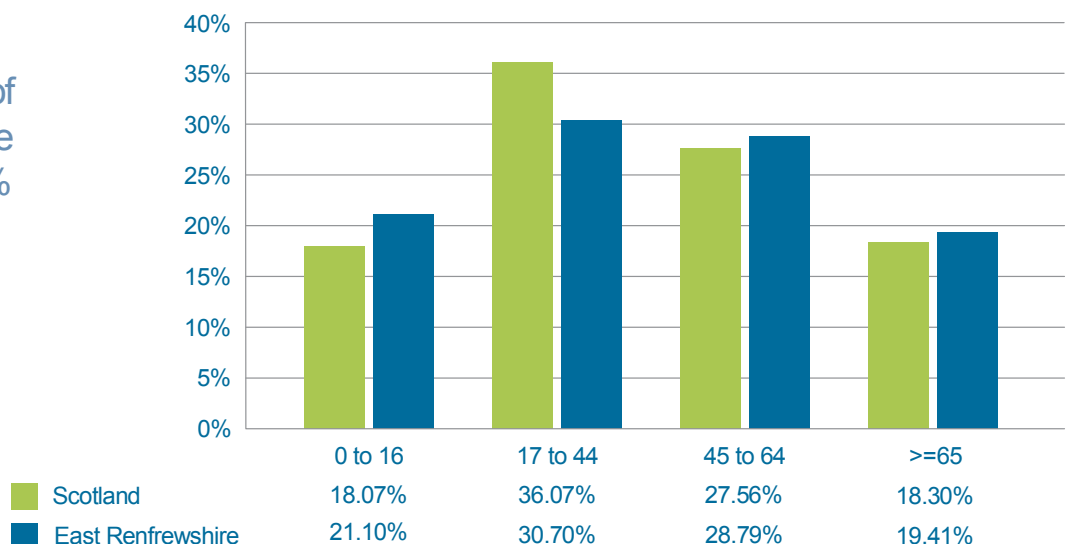
East Renfrewshire is situated to the south of Glasgow. It covers an area of 67 sq miles (174 sq km). The north of the area comprises the urban areas of Giffnock, Newton Mearns, Clarkston, Thornliebank and Barrhead. Each of these settlements has a distinctive character. There is also an extensive hinterland to the South, within which the villages of Uplawmoor, Neilston, Waterfoot and Eaglesham are located. Approximately 15% of the area is urban and 85% is rural.

The population of East Renfrewshire increased by 4.1% to 92,940 over the decade 2006 – 2015 and the latest projections from the National Records of Scotland show that East Renfrewshire’s population is to steadily increase. The table below compares the population structure of East Renfrewshire with Scotland and shows that East Renfrewshire has a higher proportion of the population aged 16 and under than that of Scotland, as well as a higher proportion of those aged 45 and over.



The population of East Renfrewshire increased by 4.1% to 92,940.

Table 1: Population Structure East Renfrewshire v Scotland 2015





## Management Commentary (cont'd)

The council employs 3,741 employees and provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and Housing. The Council has twenty councillors, across six multi-member wards, who are elected every five years to represent the interests of the community. There is no overall political control of the Council and the administration is made up of a coalition comprising of 8 Labour, 4 SNP and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.



The council employs 3,741 employees.

### Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which are intended to present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2016.

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 statement shows 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 Single Outcome Agreement.



Our Single Outcome Agreement. We are here to make people’s lives better.

Our Outcomes are:



#### Early Years

All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.



#### Learning, Life and Work

East Renfrewshire residents are fit and active and have the skills for learning, life and work.



#### Economy and Environment

East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.



#### Safer, Supported Communities

East Renfrewshire residents are safe and supported in their communities and homes.



#### Older People

Older people in East Renfrewshire are valued, their voices are heard and they are supported to enjoy full and positive lives for longer.







## 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.

### Community Engagement



**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.



The focus of our improvement work to maintain our position as one of the best councils in Scotland.





## Management Commentary (cont'd)



The Council carries out periodic employee surveys.

### 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.



Council's multi-year budget approach.

### Budget Process

Following the success of the Council's previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2014, on setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2015/16 and indicative budgets for 2016/17 and 2017/18 were approved by Council in February 2015. The Council continues to actively seek out efficiencies in service delivery with around 58% of the approved savings measures for the financial years 2015/16 to 2017/18 being categorised as efficiencies. As the 2016/17 grant settlement was worse than expected, when setting the budget for 2016/17 in March 2016, it was estimated that further savings of £7.02m will require to be identified by 2017/18 however the Corporate Management Team (CMT) will keep the position under review and seek to bring forward efficiencies over the next 2 years in order to address any gap. Capital plans have also been agreed for the General Fund, covering the period 2016/17 to 2023/24, and Housing, covering the period 2016/17 to 2020/21.



A continuing programme of repairs and renewals.

### 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 is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. In 2015/16 this was 4% (2014/15 4.1%)
- (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 provide insurance voluntary excess costs.
- (v) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
- (vi) To make provision for anticipated future capital liabilities.



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



## Management Commentary (cont'd)

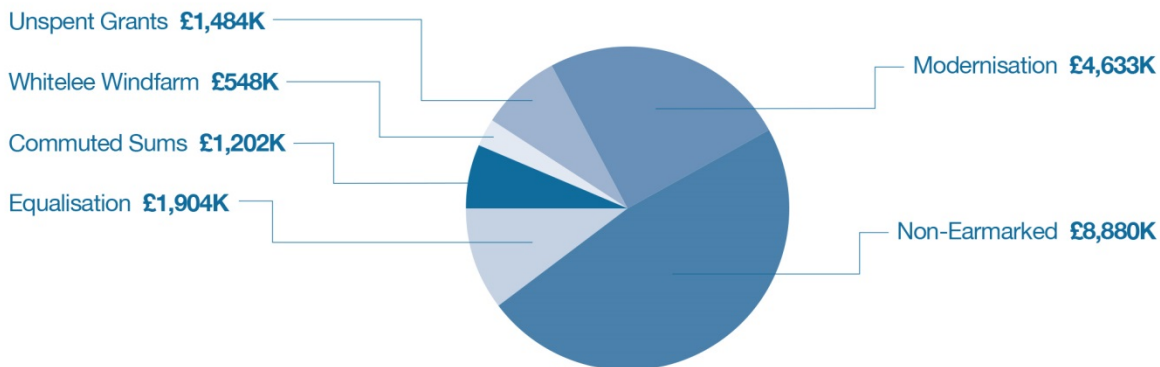
### 3. Financial Performance in 2015/16

#### Revenue Budget Performance

##### General Fund Revenue Balance

The General Fund Balance at the end of the year is £18.651m. The opening balance of £16.056m has been increased by an overall surplus of £2.595m. Within the General Fund balance an amount of £1.904m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £4.633m has been earmarked as a Modernisation Fund. Further amounts of £0.548m and £1.202m have also been earmarked for the Whitelees Wind Farm and commuted sums. In closing the accounts £1.484m has been attributed to the Unspent Grants 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 9.



#### 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 six times per year with all reports providing year end forecasts. Financial and physical progress on each capital project is also reported to Cabinet five times per year. Copies of these reports are available on the Council's website:

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



The opening balance has been increased by an overall surplus of £2.595m

Reports show revenue expenditure and income to date against budgets.





## Management Commentary (cont'd)



### Budget Performance

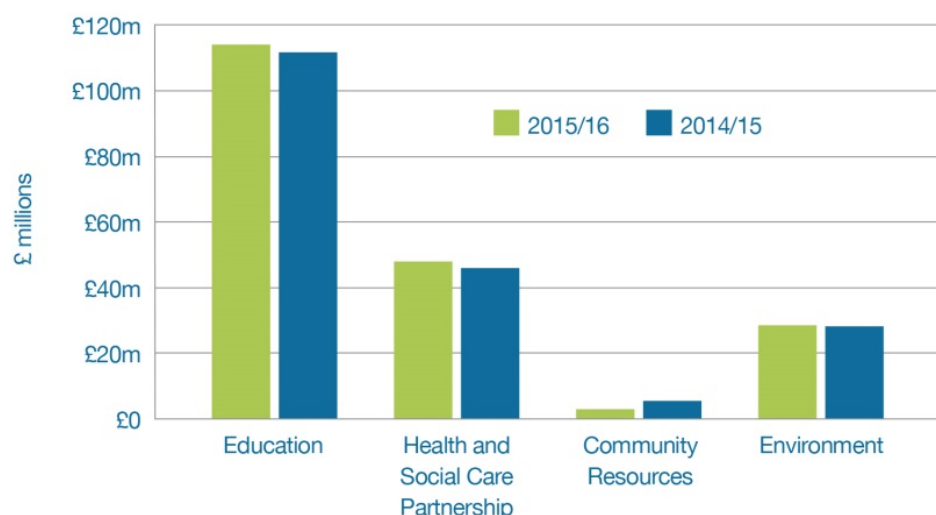
The overall surplus of £2.595m can be analysed as follows:

The Council has an overall surplus of £2.595m

		Actual £'000	Approved Budget £'000	Over/ (Under) Spend £'000
Net cost of services	206,841			
Capital charges	<u>(11,671)</u>	195,170	209,265	(14,095)
Investment Income		(199)	(180)	(19)
Capital financing costs		10,650	13,198	(2,548)
Other		6,950	-	6,950
Contributions to reserves		8,786	1,010	7,776
To be met by govt. grants and local taxation		221,357	223,293	(1,936)
Aggregate External Finance		(181,986)	(181,977)	(9)
Council Tax		(41,966)	(41,316)	(650)
Total Funding		(223,952)	(223,293)	(659)
<b>SURPLUS FOR THE YEAR</b>		<b>(2,595)</b>	<b>0</b>	<b>(2,595)</b>



### 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 109 and 110. 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 £953k has been increased by an operational surplus of £460k to give a year-end balance of £1,413k.



Housing Revenue has a year-end balance of £1.413m

### Capital Budget Performance

The Council invested £25.683m in its General Services and Housing Capital Programmes details of which are provided in note 33 to the core financial statements. Major Projects progressed during this year include:-

- Eastwood Health & Care Centre
- Early Learning Madras Nursery Extension
- Roads Investment
- Rouken Glen Park improvements

The total net expenditure incurred during the year was less than the capital budget. Capital expenditure was funded by receipts from sale of assets of £3.303m, contributions from revenue and reserves of £4.812m, PPP lifecycle costs of £1.586m and grants and other contributions of £11.289m leaving a balance of £4.693m to be funded by borrowing.



### Assets and Liabilities

The Balance Sheet, on page 38, summarises the Council's assets and liabilities as at 31 March 2016 and explanatory notes are provided. Total net assets have increased by £89.804 million to £322.161 million. Within this headline figure, there has been significant changes in both asset values and liabilities. Property, plant and equipment has increased by £29.266 million and investments have increased by £0.150 million; on the liabilities side the pension liability has decreased by £44.986 million and borrowing and lease finance have reduced by £27.597 million. The major changes in the Council's Balance Sheet between March 2015 and March 2016 are explained in more detail in the following paragraphs.



### Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £29.266 million to £556.395 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of all assets was carried out during the year which was offset by in year depreciation charges. Short term investments have reduced by £5.0 million and cash equivalents have increased by £22.301 million. This has arisen as a result of the Council spending funds without undertaking borrowing. Long and short-term Debtors and Creditors decreased by a net £11.516 million.

Property, Plant and Equipment have increased in value.





## Management Commentary (cont'd)

# CIPFA

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



The Council has provided £0.562 million in the Balance Sheet for contingencies

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

The Council's net borrowing (including finance leases) reduced by £5.446 million during the year. Short-term borrowing decreased by £0.286 million and long-term borrowing and lease financing also reduced by £5.160 million. 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 £139.460 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 approved limit of £180.343 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 financing charges impacting on the Council Tax were £10.650m (2014/15 £12.023m) and on rents were £3.827m (2014/15 £3.656m).

The Council's average loans rate was 4.12% for 2015-2016, a decrease of 0.16% from 2014-2015.

### Provision, Contingencies and Write-offs

The Council has provided £0.562 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 22) 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 £196.99k for Council Tax, £39.57k for Non Domestic Rates and £298.92k of other debts which were approved by Cabinet.



## Management Commentary (cont'd)

### Performance Information

The Council has a well-established performance management framework in place. We publish reports in relation to performance against the targets set in our key strategic plans: the Single Outcome Agreement (SOA) and the Outcome Delivery Plan (ODP). The SOA is a Community Planning Partnership document setting out the outcomes and priorities we want to achieve as a partnership. The ODP shows how the Council will work towards achieving these outcomes set out in the SOA as well as our three organisational outcomes: customer, people and efficiency. The Council's framework is based around 6 monthly reporting to Cabinet on council wide strategic performance against our SOA and ODP, augmented by six monthly performance review meetings involving the Chief Executive, each Director and service managers. The Council's end year strategic performance report 2015/16 was considered by Cabinet on the 16 June and includes a wide range of information, demonstrating our progress towards our outcomes. We also report a range of interim reports on service specific information and financial information to elected members and the public. The 2016/17 Local Scrutiny Plan, based on a shared risk assessment undertaken by all scrutiny bodies, gave the Council a positive assessment and did not identify any areas where additional specific scrutiny is required apart from the routine, planned service inspections and monitoring from each of the scrutiny bodies.

To access a host of further performance information on how the Council is performing, including trend data, improvement activities, targets and benchmarking information visit:  
<http://www.eastrenfrewshire.gov.uk/performance>



Trend information, improvement activities, targets, contextual detail and benchmarking information.



The Council's Performance Report demonstrates our progress in delivering our outcomes.





## Management Commentary (cont'd)

### Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2015/16 and the affordability of its ongoing commitments:-

Financial Indicator	Commentary	2015/16	2014/15
<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 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.	4.0%	4.1%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	(1.7%)	6.2%
<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%	97.98%
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, in common with all Scottish Local Authorities, has frozen Council Tax bills at 2007-08 levels.	18.7%	19%
<b>Financial Management</b>			
Actual Outturn compared to 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.	94.9%	97.9%
Actual contribution (to)/from Unallocated General Fund Balance Compared to Budget.		5.2%	1.9%
<b>Debt/Long-term Borrowing</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.	£180.3m	£188.4m
External Debt Levels for the current year		£139.5m	£149.7m
Ratio of financing costs to net revenue stream – General Fund	These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing is affordable; and fits with the Council's medium to long-term financial strategy.	8.6%	9.7%
Ratio of financing costs to net revenue stream – Housing Revenue Account		35.3%	36.1%



## 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 2015/16. 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. The Council had budgeted to increase reserves by £1.01m in 2015/16, however, as a result of effective financial management, transfers totalling £10.786m have been made to key earmarked reserves (Capital Reserve £7.286m, Modernisation Fund £2.00m, Insurance Fund £0.50m and Repairs and Renewal Fund £1.00m). 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 has continued with new family centre provision for the Busby/Clarkston area in order to provide additional places for 2 to 4 year olds. Funding was also provided to support initiatives, targeted at raising the attainment of the lowest performing 20% of children and young people across the Council. Free school lunches for all P1 to P3 children were also introduced, in line with the new national policy. There has also been progress on the replacement Barrhead High School, with construction commencing in the spring of 2016.

The Council made further investment within the Health and Social Care Partnership with the new state of the art Eastwood Health and Care centre, nearing completion this summer. Additional resources were also committed to ensure that frontline social care services to older people in East Renfrewshire kept pace with growing demands associated with demographic trends. Through the City Deal, work has begun on a major regeneration programme with a value of £44 million across the Council as part of our eight year capital investment plan.



The Council had budgeted to increase reserves by £1.01m in 2015/16.



A new state of the art Eastwood Health and Care centre will be nearing completion by summer of 2016



## Management Commentary (cont'd)

### 4. Financial Outcomes and Key Risks



The Council's General Fund Capital Plan for the next 8 years delivers significant investment.

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 slow down 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, a new health and care centre, 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 and that the new Energy Efficiency Standard for Social Housing is met.

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. Further, a condition of receiving the government grant for 2016/17 was that Council Tax would again be frozen for that year, although it has since been confirmed that limited increases will be permitted thereafter. 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, however, as grant allocations and conditions (e.g. requirements to maintain teacher numbers and to make payment of living wage to care staff employed by service providers) apply the Council must keep its financial position under close review.



Forecasts are that funding restrictions will continue for a number of years ahead.





## Management Commentary (cont'd)



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

The Council has approached these difficulties as a part of a longer term financial strategy. Underpinning this strategy is a Financial Policy 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 put in place actions designed to ensure that these are at a level to assist the Council in addressing future financial difficulties.

In recognising the competing pressures of future restraints in funding levels and increasing demand, the Council has proactively identified resources from within its grant settlement to progress preventative spend with the aim of tackling future demand pressures. Total resources identified for the following 2 financial years amount to £1.092 million.

As a consequence of the Council's programme of efficiency reviews 39 employees took the option of voluntary redundancy or other packages offered to them in 2015/16. This resulted in non-recurring expenditure of £1.5m.

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.



39 employees took the option of voluntary redundancy.





## Management Commentary (cont'd)



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

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.

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 24 March 2016.





## Management Commentary (cont'd)

### 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 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 is scheduled to be handed over to the Council in August 2017. Details of all 4 projects are provided in note 35 to the core financial statements.



Contract signed for the construction and maintenance of the new Barrhead High School

#### 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 2016, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £108.59m, details of which can be found in note 39 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 2016. 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 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 2016 was 3.5%. This year has seen a decrease in pension liabilities to £498.531m (2014/15 £550.132m) which is principally because the financial assumptions at 31 March 2016 are more favourable than they were at 31 March 2015.



This year has seen a decrease in pension liabilities.

This decrease in liabilities, in addition to, a slight decrease in asset values (£389.941m, 2014/15 £396.556m), has resulted in a net decrease in the overall pension liability of £44.986m. Employer contributions are based on the longer-term funding valuation as at 31st March 2014. 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.



## Management Commentary (cont'd)

### Group Accounts

The Council is represented on the Boards of the following companies that are limited by guarantee and have no share capital. 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 £9.135m. 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

### Events During 2015/16

On 2 July the Council transferred a group of services to a Culture & Leisure Trust. These services were Active Schools, Arts & Theatre, Community Halls, Libraries, Sports Centres and Sports Development.

There were a number of financial benefits attached to the transfer of these services to an arms-length charitable organisation. However, it is also expected that the Culture & Leisure Trust will be better placed to be innovative and flexible in its approach to managing and delivering services, thus leading to improvements in the services offered.

Also, as a result of the Public Bodies (Joint Working) (Scotland) Act 2014, placing an obligation on health boards and local authorities to integrate strategic planning and service provision arrangements, both the Council and health board in the East Renfrewshire area agreed that from 7 October 2015 the East Renfrewshire Integration Joint Board would have delegated financial responsibility for following functions:-

- Adult Health and Social Care Services
- Criminal Justice
- Children's Health and Social Care Services

In addition to this, on 21 March 2016 the Council reached financial close on a replacement Barrhead High School contract. This is a non-profit distributing (NPD) project to replace the old Barrhead High School under the Government's Schools for the Future programme. The Government are providing 100% revenue funding support via Scottish Futures Trust and the project is being delivered through West Territory hub by BAM. BAM will build and maintain the new facility which is due to be handed over to the Council in August 2017. The Council will then make revenue payments (covered by Scottish Government grant) for the next 25 years.

At the same time a capital building project, funded by the Council, will be progressed providing complementary facilities to the new school.

Lastly the Council's Property & Technical Services carried out a critical review of the classification of the Council's non-current assets and it was agreed to reclassify all investment properties as Property, Plant & Equipment to comply with CIPFA's Code of Practice on local Authority Accounting (note 2 provides further guidance).



The Council participates by means of Board membership and the provision of funding.

east renfrewshire  
**CULTURE  
 and  
 LEISURE**

Transferring services to a culture and leisure trust provides a number of financial benefits.





## Management Commentary (cont'd)

### Future Developments

CIPFA's Code of Practice on Local Authority Accounting 2016/17 introduces a new requirement for measuring highways network assets at depreciated replacement cost, in place of historic cost. The impact of this requirement on the Council's Balance Sheet has not yet been quantified but it is anticipated that it will be significant.

In addition, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 have been approved by the Scottish Parliament, with effect from 1 April 2016, increasing the purposes for Local Authorities to borrow money. This will provide councils with additional flexibility in progressing programmes such as City Deal.

### 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. Further guidance is provided in note 28 to the core financial statements.



A new requirement for measuring highways network assets at depreciated replacement cost, in place of historic cost is anticipated to have significant impact on the Council's Balance Sheet.





## Management Commentary (cont'd)

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# 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 ([www.eastrenfrewshire.gov.uk](http://www.eastrenfrewshire.gov.uk)) or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG.

## 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.

Councillor Jim Fletcher  
Leader of the Council  
Date

Lorraine McMillan  
Chief Executive  
Date

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)  
Date



## Statement of Responsibilities for the Statement of Accounts

### **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 will be approved for signature by the Council on 29<sup>th</sup> September 2016.

Signed on behalf of East Renfrewshire Council

Councillor Jim  
Fletcher Leader of the  
Council Date

### **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 2016.

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)  
Date: 22 June 2016



## Annual Governance Statement 2015/16

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

In discharging this accountability, elected members and senior officers are responsible for putting in place proper arrangements for the governance of East Renfrewshire Council's business and the stewardship of the resources at its disposal. As part of this responsibility the Council reviews and adopts a Code of Corporate Governance annually. The Code is consistent with the principles and requirements of the CIPFA/SOLACE guidance for Scottish local authorities "*Delivering Good Governance in Local Government*".

The Code is built around six governance principles:

1. Focusing on the purpose of the authority and outcomes for the community
2. Members and officers working together to achieve a common purpose
3. Promoting values for the authority and demonstrating the values of good governance
4. Taking informed and transparent decisions
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders

The Code of Corporate Governance was reviewed in 2016 by the Council's Corporate Management Team. The review found the Council to be fully compliant across all governance principles and identified a number of improvement actions to improve or exceed levels of compliance. The Council's Internal Audit service also reviewed the Code of Corporate Governance for 2015/16 and made a number of recommendations relating to streamlining evidence to demonstrate compliance against the code. These recommendations were addressed as part of the annual review process. A revised Code of Corporate Governance for 2016/17 and an update on the 2015/16 action plan was approved by the Audit and Scrutiny Committee on 2 June 2016.

A copy of the updated Code of Corporate Governance can be accessed via our website at <http://www.eastrenfrewshire.gov.uk/corporategovernance> or can be obtained from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).

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 2015/16 based on International Financial Reporting Standards which details the requirements for an Annual Governance Statement.

During 2015/16, the Council has undertaken a review of the system of internal control and has 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 and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to and engages with the community. It enables the Council to monitor the achievement of its strategic outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks in achieving East Renfrewshire Council's outcomes, policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.



## Annual Governance Statement 2015/16 (cont'd)

The system of internal financial control is based on a well-established framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Regular reviews of information and systems within this framework are undertaken by council managers.

The system includes -

- A Council vision, supported by a set of values and 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 (2010).
- Clear roles and responsibilities of the Corporate Management Team (CMT) (Chief Financial Officer member of CMT) and elected members with well defined delegation arrangements.
- In addition to the Council's statutory section 95 officer, a section 95 officer, (Chief Financial Officer) was appointed to East Renfrewshire Health and Social Care Partnership (HSCP).
- An Audit and Scrutiny Committee which provides an effective and detailed level of scrutiny.
- 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 overseen by a corporate management asset group.
- Well established systematic approach to risk management.
- Well-developed corporate performance management system with regular reports to CMT and Cabinet. These 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 (e.g. policies on Anti-fraud and Bribery Strategy (which includes a probity register) and "whistleblowing").
- Providing 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 2016 and, up to the date of approval of the Statement of Accounts.

### Review of effectiveness

East Renfrewshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of 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 review agencies, regulators and inspectorates.

Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of 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.



## Annual Governance Statement 2015/16 (cont'd)

Members and Officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit and Scrutiny Committee perform a scrutiny role in relation to the application of the Code of Corporate Governance and regularly monitor the performance of the Council's Internal Audit Section and risk management.

The implications of the result 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 statement for 2015/16 has not yet been presented to the Audit and Scrutiny Committee (scheduled to report in August 2016); however the Chief Internal Auditor has given an early indication that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2016.

Key actions achieved during 2015/16 included

- Significant structural changes with the establishment of the East Renfrewshire Health and Social Care Partnership and the East Renfrewshire Culture and Leisure Trust
- Procedures established to include the East Renfrewshire Integration Joint Board and the East Renfrewshire Culture and Leisure Trust Board within the system of internal control;
- Extensive campaign to promote the Council's vision, values and organisational capabilities to Council employees
- Launch of the Council's new change programme, Modern Ambitious Programme (MAP) aligned to the Council's vision and ambition
- New leadership competencies introduced and revised management development programmes delivered
- Council Contract Standing Orders reviewed and updated
- New approach to developing the Council's Outcome Delivery Plan, improving clarity of plan and streamlined indicator set
- Issues addressed around maintenance of records and reconciliations within the former Community Health and Care Partnership (now Health and Social Care Partnership) and the Care Finance system implementation continued

Key actions planned to be delivered in 2016/17:

- Further revision of financial regulations
- Improve absence reporting facilities and access through MyInsider
- Deliver briefing sessions on the implications of the new Community Empowerment Act
- Fully implement Leaders for the Future development programme
- Deliver planned change projects in the Modern Ambitious Programme
- Complete the development and full roll out of the Care Finance system in the East Renfrewshire Health and Social Care Partnership





## Annual Governance Statement 2015/16 (cont'd)

### Governance issues

The Council's Local Scrutiny Plan 2016/17 gave an overall positive assessment. The Local Area Network (LAN) of external scrutiny bodies did not identify any areas where *additional specific scrutiny* is required in 2016/17. Whilst no specific scrutiny risks have been identified, the Council will be subject to some planned areas of scrutiny and will participate in a number of nationally driven risk based audits and reviews during 2016/17. The LAN's report acknowledges the extent of the financial challenges faced by the Council in addressing the funding gap over the next few years as a result of national grant settlement levels. As part of health and social care integration East Renfrewshire's Integration Joint Board (IJB) was established in August 2015 and took on delegated financial responsibilities from 7 October 2015 onwards. Since the Local Scrutiny Plan report was published the Council has received clarification that additional resources, at the national level from NHS to HSCPs can be used to reduce the Council's contribution to the IJB and this was reflected in the Council's budget set in March 2016. As a consequence, the total overall shortfall the Council has to address through savings and efficiencies is £23.9m over the three year period (2015-2017). Audit Scotland will report on how the Council is managing this shortfall as part of routine ongoing audit work.

### Ambition for Change

Following on the Council's successful Public Service Excellence programme (2009-15) which generated over £4.9million in cumulative recurring efficiency savings, a new Modern Ambitious Programme (MAP) was launched in 2015/16 to deliver the vision of what the Council wants to look like in the future as well as contributing to the necessary budget savings. MAP works across the Council and Health and Social Care Partnership (HSCP) and aims to deliver extensive change. This revitalised approach to change sees departments and HSCP now having their own change programmes, identifying their aspirations for areas of service redesign, modernisation and improved customer outcomes. There is also a range of enabling projects (primarily related to ICT) which bring benefits across the Council, such as free Wi-Fi in our public buildings and schools.

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

CIPFA published this statement in 2010 and under the Code East Renfrewshire Council is required to state whether it complies with the statement and, if not, to explain how their 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.

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.





## **Annual Governance Statement 2015/16 (cont'd)**

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### **Assurance**

Overall, we consider the governance and internal control environment operating during 2015/16 provided reasonable and objective assurance that significant risks impacting on the achievement of our principal objectives and outcomes were identified and actions taken to avoid or mitigate their impact.

Looking ahead, well-established systems are in place to review and improve the governance and internal control environment. The Council will continue to review its corporate governance arrangements; closely monitor progress on the actions identified, as a key part of ensuring we continue to strive to make people's lives better.

Cllr J Fletcher  
Leader of the  
Council Date:

L. McMillan Chief Executive  
On behalf of East Renfrewshire  
Council Date:



# 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, with the exception of that relating to the Reimbursement of Members' Expenses contained within section 4, 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. For 2015-16 the salary for the Leader of East Renfrewshire Council was £27,878. 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 £169,355. 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. The Council policy is to appoint the maximum number of Senior Councillors permitted in the regulations.

In 2015-16 East Renfrewshire Council had 9 Senior Councillors and the remuneration paid to these councillors totalled £169,353. 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 27 June 2012 and is available at [www.eastrenfrewshire.gov.uk](http://www.eastrenfrewshire.gov.uk).

### 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 and at a meeting of the full Council on 19 March 2008 the Directors' salaries were agreed.

### 3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive and those staff reporting directly to the Chief Executive. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included. The remuneration paid to senior employees, including additional payments for election work, is as follows:-



## Remuneration Report (cont'd)

		Salary, Fees and Allowances £	Compensation for loss of office £	Expenses Allowances ** £	Total £
Lorraine McMillan (Chief Executive)	2015/16 2014/15	114,804* 115,678*		- 711	114,804 116,389
Mhairi Shaw (Director of Education) (From 03/10/13)	2015/16 2014/15	102,387 100,907		- 85	102,387 100,992
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	2015/16 2014/15	103,059*** 102,421		- 822	103,059 103,243
Andrew Cahill (Director of Environment)	2015/16 2014/15	102,382 100,907		- 822	102,382 101,729
Norman Williamson (Director of Finance) (until 06/04/14)	2015/16 2014/15	- 6,523 (Annual equivalent £101,229)		- 46	- 6,569
Margaret McCrossan Head of Accountancy (Chief Financial Officer) (From 07/04/14)	2015/16 2014/15	89,775* 87,940 *(Annual equivalent £88,541)		- 760	89,775 88,700
Caroline Innes (Deputy Chief Executive)	2015/16 2014/15	102,557* 101,082*		- 784	102,557 101,866
Gerry Mahon (Chief Officer – Legal and Procurement)	2015/16 2014/15	71,715* 70,050*		- 822	71,715 70,872
Michelle Blair (Chief Auditor)	2015/16 2014/15	50,913* 50,182*		- 779	50,913 50,961
Anthony McReavy (Chief Executive Culture & Leisure Trust) (From 18.05.15)	2015/16 2014/15	44,776 (Annual equivalent £64,675) -		- -	44,776 -

\* These figures include payments for election work

\*\* This column represents taxable earnings only

\*\*\* A proportion of this salary is funded by East Renfrewshire Integration Joint Board



## Remuneration Report (cont'd)

### 4. Remuneration of Senior Councillors

Name (A)	Position Held (B)	Notes	Salary - Payments made by Council			Re-imbursement of Members Expenses							Total Salary Expenses 2015/16 (F to L) (N) £	Total Salary Expenses 2014/15 (O) £	
			Gross Allowance (C) £	Less Recharge to External Bodies (D) £	Net Allowances Paid (E) £	Car & Van Expenses - Reimbursed (F) £	Other Travel Expenses - Reimbursed (G) £	Other Travel Expenses Paid Directly (H) £	Subsistence & Meals Expenses Reimbursed (I) £	Training & Conference Expenses Reimbursed (J) £	Training & Conference Expenses Paid Directly (K) £	Telephone & ICT Expenses Paid Directly (L) £			Total Expenses (F to L) (M) £
Buchanan	Deputy Leader/Vice Chair of the Cabinet/Convener for Infrastructure and Sustainable Growth		18,817	0	18,817	458	75	18	0	52	0	471	1,074	19,891	19,001
Carmichael	Provost		20,909	0	20,909	0	0	0	0	0	0	494	494	21,403	21,384
Cunningham	Deputy Provost		18,817	0	18,817	0	0	0	0	0	0	514	514	19,331	19,277
Devlin	Convener for Housing & Maintenance Services		18,817	0	18,817	0	0	0	0	0	0	776	776	19,593	19,189
Fletcher	Leader of the Council/Chair of the Cabinet	1	27,878	0	27,878	0	370	0	0	0	0	545	915	28,793	28,870
Green	Convener for Education and Equalities		18,817	0	18,817	772	253	67	0	0	0	500	1,592	20,409	20,002
Hay	Chair of Planning Applications Committee		18,817	0	18,817	125	0	18	0	6	0	380	529	19,346	19,129
McAlpine	Convener for Corporate Services		18,817	0	18,817	106	174	55	0	51	464	564	1,414	20,231	20,077
Montague	Convener for Community Services & Community Safety		18,817	0	18,817	0	46	285	0	0	750	875	1,956	20,773	19,503
Wallace	Chair of Audit & Scrutiny Committee		18,817	0	18,817	0	0	0	0	0	0	102	102	18,919	18,957
Waters	Convener for Environment		18,817	0	18,817	0	0	156	0	0	215	525	896	19,713	19,986
Sub total	Senior Councillors		218,140	0	218,140	1,461	918	599	0	109	1,429	5,746	10,262	228,402	225,375
All other councillors			157,706	4,034	153,672	1,145	328	91	0	33	819	3,690	6,106	159,778	159,323
<b>Total</b>			<b>375,846</b>	<b>4,034</b>	<b>371,812</b>	<b>2,606</b>	<b>1,246</b>	<b>690</b>	<b>0</b>	<b>142</b>	<b>2,248</b>	<b>9,436</b>	<b>16,368</b>	<b>388,180</b>	<b>384,698</b>

- Notes:-
- The undernoted receive remuneration as representatives of the Council on outside bodies.  
Cllr. Fletcher receives payments directly from Scottish Futures Trust as a Non Executive Director and member of the Audit Committee. For further details please refer to [www.scottishfuturestrust.org.uk](http://www.scottishfuturestrust.org.uk)
  - East Renfrewshire Council leases a car for civic duties. The annual cost of this car is £6,189.



## 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 operates. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

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

The tiers and scheme members' contribution rates for 2015/16 and 2014/15 are as follows:-

Whole time pay	Contribution rate 2015/16	Actual Pensionable Pay	Contribution rate 2014/15
On pensionable pay up to and including £20,500	5.5%	On pensionable pay up to and including £20,500	5.5%
On pensionable pay £20,500 to £25,000	7.25%	On pensionable pay £20,335 to £24,853	7.25%
On pensionable pay £25,000 to £34,400	8.5%	On pensionable pay £24,853 to £34,096	8.5%
On pensionable pay £34,400 to £45,800	9.5%	On pensionable pay £34,096 to £45,393	9.5%
On pensionable pay above £45,800	12%	On pensionable pay above £45,393	12%

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.

From April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49<sup>th</sup> 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 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 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.

The pension entitlements of Senior Employees for the year to 31 March 2016 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.



## Remuneration Report (Cont'd)

Name & Post Title	In year Pension Contribution £	2015/16 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2015	
		Pension £	Lump Sum £	Pension £	Lump Sum £
Lorraine McMillan (Chief Executive)	22,158	15,419	4,494	2,641	93
Mhairi Shaw (Director of Education)	19,760	49,455	111,387	2,772	1,609
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	19,890	30,476	54,201	2,279	335
Andrew Cahill (Director of Environment)	19,760	45,114	98,361	2,709	1,418
Margaret McCrossan (Head of Accountancy / Chief Financial Officer)	17,283	41,874	93,273	2,738	2,119
Caroline Innes (Deputy Chief Executive)	19,760	42,397	90,209	2,670	1,300
Gerry Mahon (Chief Officer – Legal and Procurement)	13,807	22,225	40,844	1,943	951
Michelle Blair (Chief Auditor)	9,792	16,396	30,211	1,810	1,455
Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust) (From 18.05.15)	8,642	913	-	-	-

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.

### Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2016 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

Name & Post Title	In year Pension Contribution £	2015/16 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2015	
		Pension £	Lump Sum £	Pension £	Lump Sum £
Cllr Buchanan – Convener for Infrastructure and Sustainable Growth Councillor Carmichael - Provost	3,632	2,791	1,302	420	20
Cllr Cunningham – Deputy Provost	4,035	3,652	3,239	1,041	1,729
Cllr Cunningham – Deputy Provost	-	-	-	-	-
Cllr Devlin – Convener for Housing Maintenance Services	-	-	-	-	-
Cllr Fletcher – Leader of the Council	5,380	5,154	2,651	245	29
Cllr Green – Convener for Education and Equalities	3,632	2,662	1,105	327	(8)
Cllr Hay - Chair for Planning Applications Committee	-	-	-	-	-
Cllr McAlpine – Convener for Corporate Services	3,632	2,862	1,433	(79)	(140)
Cllr Montague – Convener for Community Services and Community Safety	3,632	2,719	977	2,719	977
Cllr Wallace – Chair of Audit Committee	3,632	1,652	-	400	-
Cllr Waters – Convener for Environment	3,632	1,301	-	400	-

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

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



## 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	2015/16				2014/15			
	Number of employees				Number of employees			
	Teachers	Left during year	Employees	Total	Teachers	Left during year	Employees	Total
£50,000 - £54,999	51	2	14	67	38	1	13	52
£55,000 - £59,999	14	1	3	18	19	3	1	23
£60,000 - £64,999	5	1	3	9	4	-	6	10
£65,000 - £69,999	3	-	1	4	2	1	-	3
£70,000 - £74,999	1	-	5	6	1	1	2	4
£75,000 - £79,999	-	-	6	6	-	2	8	10
£80,000 - £84,999	1	-	1	2	2	-	-	2
£85,000 - £89,999	2	1	-	3	2	-	1	3
£90,000 - £94,999	-	-	1	1	-	-	-	-
£95,000 - £99,999	-	-	-	-	-	-	-	-
£100,000 - £104,999	-	1	3	4	-	-	4	4
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	1	1	2	-	-	-	-
£115,000 - £119,999	-	-	-	-	-	-	1	1

### 7. Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

Exit package cost band (including special payments)	(a)		(b)		(c)		(d)		(e)	
	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band [(b) + (c)]		Total cost of exit packages in each band			
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16 (£)	2014/15 (£)		
£0 - £20,000	-	1.0*	7.0	30.0	7.0	31.0	116,746	367,864		
£20,001 - £40,000	-	-	12.0	22.0	12.0	22.0	344,555	620,192		
£40,001 - £60,000	-	-	7.0	8.0	7.0	8.0	373,442	392,405		
£60,001 - £80,000	-	-	4.0	7.0	4.0	7.0	286,683	456,957		
£80,001 - £100,000	-	-	1.0	2.0	1.0	2.0	95,331	165,078		
£100,001 - £150,000	-	-	7.0	4.0	7.0	4.0	851,531	526,355		
<b>Total</b>	-	1.0	38.0	73.0	38.0	74.0	2,068,288	2,528,851		
Add: Amounts provided for in CIES not included in bandings	-	-	1.0	-	1.0	-	164,803	-		
<b>Total Cost included in CIES</b>	-	1.0	39.0	73.0	39.0	74.0	2,233,091	2,528,851		

\*No employee was subject to compulsory redundancy. Payments of a statutory nature are included in this classification; for example redundancy payments at the cessation of fixed term contracts of two or more years duration.

Leader of the Council Date:

Chief Executive Date:





## Movement in Reserves Statement

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purpose. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2015 carried forward</b>	(9,034)	(7,022)	(9,538)	(1,441)	(953)	(25,980)	(53,968)	(178,389)	(232,357)
<b>Movement in reserves during 2015/16</b>									
(Surplus) or deficit on the provision of services	(16,535)	-	-	-	2,321	-	(14,214)	-	(14,214)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(75,590)	(75,590)
<b>Total Comprehensive Income and Expenditure</b>	(16,535)	-	-	-	2,321	-	(14,214)	(75,590)	(89,804)
Adjustments between accounting basis & funding basis under regulations (Note 8)	5,054	-	-	-	(2,745)	4,500	6,809	(6,809)	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves</b>	(11,481)	-	-	-	(424)	4,500	(7,405)	(82,399)	(89,804)
Transfers (to)/from other statutory Reserves	11,635	(2,749)	(932)	(473)	(36)	(7,445)	-	-	-
<b>(Increase)/Decrease in 2015/16 (Note 9)</b>	154	(2,749)	(932)	(473)	(460)	(2,945)	(7,405)	(82,399)	(89,804)
<b>Balance at 31 March 2016 carried forward</b>	(8,880)	(9,771)	(10,470)	(1,914)	(1,413)	(28,925)	(61,373)	(260,788)	(322,161)



## Movement in Reserves Statement (Cont'd)

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2014 carried forward</b>	(8,508)	(6,410)	(9,416)	(1,714)	(507)	(26,413)	<b>(52,968)</b>	(174,446)	<b>(227,414)</b>
<b>Movement in reserves during 2014/15</b>									
(Surplus) or deficit on the provision of services	(11,963)	-	-	-	2,658	-	<b>(9,305)</b>	-	<b>(9,305)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	4,362	<b>4,362</b>
<b>Total Comprehensive Income and Expenditure</b>	(11,963)	-	-	-	2,658	-	<b>(9,305)</b>	4,362	<b>(4,943)</b>
Adjustments between accounting basis & funding basis under regulations (Note 8)	7,125	-	-	-	(2,820)	4,000	<b>8,305</b>	(8,305)	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves</b>	(4,838)	-	-	-	(162)	4,000	<b>(1,000)</b>	(3,943)	<b>(4,943)</b>
Transfers (to)/from other statutory Reserves	4,312	(612)	(122)	273	(284)	(3,567)	-	-	-
<b>(Increase)/Decrease in 2014/15 (Note 9)</b>	(526)	(612)	(122)	273	(446)	433	<b>(1,000)</b>	(3,943)	<b>(4,943)</b>
<b>Balance at 31 March 2015 carried forward</b>	(9,034)	(7,022)	(9,538)	(1,441)	(953)	(25,980)	<b>(53,968)</b>	(178,389)	<b>(232,357)</b>



# Comprehensive Income and Expenditure Statement

## 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. 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 Movement in Reserves Statement.

Year ended 31 March 2015 (Restated)			Year ended 31 March 2016			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
123,129	(18,022)	105,107	Education Services	133,550	(15,062)	118,488
-	-	-	Housing Services; Contribution to Integration Joint Board	156	-	156
21,400	(17,629)	3,771	Housing Services; Provision of Services	21,970	(17,713)	4,257
18,808	(6,104)	12,704	Cultural & Related Services	8,370	(1,833)	6,537
13,168	(3,999)	9,169	Environmental Services	13,617	(3,671)	9,946
14,596	(2,583)	12,013	Roads & Transport Services	14,818	(2,239)	12,579
4,648	(1,700)	2,948	Planning & Development	4,233	(1,727)	2,506
-	-	-	Social Work; Contribution to Integration Joint Board	23,379	-	23,379
59,994	(12,908)	47,086	Social Work; Provision of Services	59,867	(35,675)	24,192
6,047	(2,419)	3,628	Central Services to the Public	4,474	(3,996)	478
2,487	-	2,487	Corporate & Democratic Core	2,443	-	2,443
2,174	-	2,174	Non Distributable Costs	1,880	-	1,880
266,451	(65,364)	201,087	<b>Net Cost of General Services</b>	288,757	(81,916)	206,841
12,288	(10,730)	1,558	Housing Revenue Account	13,273	(11,392)	1,881
278,739	(76,094)	202,645	<b>Cost of Services</b>	302,030	(93,308)	208,722
		(772)	Other operating expenditure (Note 10)			(2,111)
		15,591	Financing and investment income and expenditure (Note 11)			14,416
		(226,769)	Taxation and non-specific grant income (Note 12)			(235,241)
		<b>(9,305)</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(14,214)</b>
		(17,376)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(24,279)
		1,181	Impairment losses on non-current assets charged to the Revaluation Reserve			1,520
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		20,557	Actuarial (gains)/losses on pension assets/ liabilities			(52,831)
		<b>4,362</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(75,590)</b>
		<b>(4,943)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(89,804)</b>



## Balance Sheet

### 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'.

31 March 2015 (Restated) £000		Notes	31 March 2016 £000
527,129	Property, Plant & Equipment	13	556,395
262	Heritage Assets	14	262
82	Intangible Assets	15	84
97	Investments	17	247
<b>527,570</b>	<b>Long Term Assets</b>		<b>556,988</b>
204	Assets Held for Sale	16	166
320	Short Term Intangible Assets		329
395	Inventories	18	315
17,139	Short Term Debtors	19	13,208
10,000	Short Term Investments		5,000
16,652	Cash and Cash Equivalents	20	38,953
<b>44,710</b>	<b>Current Assets</b>		<b>57,971</b>
(7,494)	Short Term Borrowing		(2,097)
(2,802)	Finance Leases including PFI/PPP	17	(2,913)
(32,709)	Short Term Creditors	21	(40,080)
(80)	Provisions – short term	22	(106)
<b>(43,085)</b>	<b>Current Liabilities</b>		<b>(45,196)</b>
(1,401)	Provisions – long term	22	(456)
(61,429)	Long Term Borrowing	17	(59,332)
(150)	Long Term Creditors	21	(373)
(78,863)	PFI/PPP Finance Lease	17	(75,950)
(153,576)	Defined Benefit Pension Liability	39	(108,590)
(1,419)	Capital Grant Receipts in Advance	31	(2,901)
<b>(296,838)</b>	<b>Long Term Liabilities</b>		<b>(247,602)</b>
<b>232,357</b>	<b>Net Assets</b>		<b>322,161</b>
(53,968)	Usable Reserves	9	(61,373)
(178,389)	Unusable Reserves	23	(260,788)
<b>(232,357)</b>	<b>Total Reserves</b>		<b>(322,161)</b>

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

The unaudited accounts were issued on 22 June 2016



## Cash Flow Statement

### 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.

2014/15 (Restated)		2015/16
£000		£000
(9,305)	Net (surplus) or deficit on the provision of services	(14,214)
(189)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	(24,785)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(9,494)	Net cash flows from Operating Activities	(38,999)
4,455	Investing Activities (Note 25)	11,251
6,131	Financing Activities (Note 26)	5,447
1,092	Net (increase) or decrease in cash and cash equivalents	(22,301)
(17,744)	Cash and cash equivalents at the beginning of the reporting period	(16,652)
<b>(16,652)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>	<b>(38,953)</b>



## Notes to the Accounts

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### 1. ACCOUNTING POLICIES

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#### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. 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 2015/16 and the Service Reporting Code of Practice 2015/16 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies have been prepared in accordance with IAS8 and IPSAS3.

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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.





## Notes to the Accounts (cont'd)

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### 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.

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

### 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.



## Notes to the Accounts (cont'd)

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### 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. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### 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.

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

#### Post Employment Benefits

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 worked 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 Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.



## Notes to the Accounts (cont'd)

### 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 3.5% (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 Distributed Costs
  - net interest on the net defined benefit liability, i.e. net interest expenses for the authority – the change during the period in 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.



## Notes to the Accounts (cont'd)

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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 relating to Cowan Park. 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 return for the management of the asset. The Council remains responsible for all costs and any income relating to the asset and is entitled to the use of the asset. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet. In addition, the Council also administers a number of trusts which it is the sole trustee for.

### **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)

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

### Financial Assets

Financial assets are classified as follows:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

### Fair Value Measurement

Where the Council values its financial assets 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.

### Loans and Receivables

Loans and receivables 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 Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

### Available-for-Sale Assets

Available-for-sale assets are defined as those non-derivative financial assets that are not classified under any other financial asset category. The Council do not have such transactions and have therefore not grouped the items in the Comprehensive Income and Expenditure statement into amounts that may be reclassifiable and amounts that are not.



## Notes to the Accounts (cont'd)

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### 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) 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.

### Business Improvement Districts

The Council is the billing authority for both the Clarkston Business Improvement District and Giffnock 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 second phase, which ends on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (ie as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.





## Notes to the Accounts (cont'd)

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### 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.

### Heritage Assets

#### Statues

Six statues created by 19<sup>th</sup> century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequested to the Council and are reported in the Balance Sheet at market value 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. These insurance valuations are reviewed on an annual basis.

#### 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, 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)

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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 only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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 value of works and services received under the contract during the financial year.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest value and best use. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and



## Notes to the Accounts (cont'd)

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losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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 and (for any sale proceeds greater than £10,000) the Capital Reserve.

East Renfrewshire Council does not account for any property under the category.

### **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### **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.

### **The Authority as Lessee**

#### **Finance Leases**

East Renfrewshire Council does not account for any finance leases as a lessee



## Notes to the Accounts (cont'd)

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### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### The Authority as Lessor

#### Finance Leases

East Renfrewshire Council does not account for any finance leases as a lessor.

### Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2015/16* (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

The two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### 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.

### 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



## Notes to the Accounts (cont'd)

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 (ie 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 annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).



## Notes to the Accounts (cont'd)

- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### 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.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable 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 calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the remaining useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 27 years.





## Notes to the Accounts (cont'd)

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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.

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

### **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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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 35 for details.



## Notes to the Accounts (cont'd)

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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 to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI 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 7.22% 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



## Notes to the Accounts (cont'd)

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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.

### **Equal Pay**

The Single Status Agreement was implemented on a national basis on 1 July 1999. Included within the agreement was a commitment on all Scottish local authorities to undertake Job Evaluation and implement a new local pay and grading system free of gender bias. East Renfrewshire Council has progressed Job Evaluation and implemented a new pay and grading system effective from 1 July 2006.

To avoid potential equal pay litigation claims the Council entered into a compromise agreement with individual employees whereby the employee has agreed not to seek legal redress in return for a compensation payment which buys out their right to seek an employment tribunal award. The vast majority of qualifying employees accepted the compromise agreement offered and payments made have been reflected within the Annual Accounts to date. A minority of qualifying employees have however not accepted the compensation offer and have indicated that they wish to progress their claim through an employment tribunal. In addition a number of other employee groups have submitted claims. Provision has been incorporated within the Accounts to reflect the potential outcome of such claims.

### **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.



## Notes to the Accounts (cont'd)

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 - these reserves are explained in the relevant policies.

### 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.

## 2. PRIOR PERIOD ADJUSTMENT

To comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, assets, previously classed as investments, have undergone a comprehensive review by the Council's valuers and have been reclassified as Property, Plant and Equipment and for comparative purposes the following adjustments have been made to the already audited 2014/15 accounts.

<b>Extract from Movement in Reserves Statement</b>	<b>2014/15 Audited</b>	<b>Reclassification</b>	<b>2014/15 Restated</b>
	£'000		£'000
(Surplus)/Deficit on the provision of services	(9,406)	101	(9,305)
Other comprehensive income and expenditure	4,463	(101)	4,362
	<u>(4,943)</u>	<u>-</u>	<u>(4,943)</u>

<b>Extract from Comprehensive Income and Expenditure Statement</b>	<b>2014/15 Audited</b>	<b>Reclassification</b>	<b>2014/15 Restated</b>
	£'000		£'000
Non Distributable Costs	2,157	17	2,174
Housing Revenue Accounts	1,443	115	1,558
Other Operating Expenditure	(282)	(490)	(772)
Financing and Investment Income and Expenditure	15,132	459	15,591
(Surplus)/Deficit on revaluation of Property, Plant and Equipment Assets	(17,171)	(205)	(17,376)
Impairment losses on non-current assets changed to the Revaluation Reserve	1,077	104	1,181
	<u>2,356</u>	<u>-</u>	<u>2,356</u>

<b>Extract from Balance Sheet</b>	<b>2014/15 Audited</b>	<b>Reclassification</b>	<b>2014/15 Restated</b>
	£'000		£'000
Property, Plant and Equipment	509,841	17,288	527,129
Investment Properties	17,288	(17,288)	-
	<u>527,129</u>	<u>-</u>	<u>527,129</u>



## Notes to the Accounts (cont'd)

### 3. 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 2016/17 code:-

- Amendments to IAS19 Employee Benefits
- Annual Improvements to IFRSs 2010-2012 cycle
- Amendments to IFRS11 Joint Arrangements
- Amendments to IAS16 Property, Plant and Equipment and IAS38 Intangible Assets
- Annual Improvements to IFR5s 2012-2014 cycle
- Amendment to IAS1 Presentation of Financial Statements
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statements and the Introduction of the new Expenditure and Funding Analysis
- The changes to the format of the Provision Fund Accounts and the Net Assets Statement

The code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 annual accounts.

Overall, these new or amended standards are not expected to have a significant impact on the Council's Annual Accounts.

### 4. CRITICAL JUDGEMENTS 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.

### 5. 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.



## Notes to the Accounts (cont'd)

The items in the Authority's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ Assumptions
<b>Provisions</b>	The Authority has made a provision of £0.161m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is now likely that most valid claims have been received by the Authority but precedents set by other authorities in the settlement of claims could still be applicable.	An increase over the forthcoming year of 10% in the estimated average settlement would have the effect of adding £0.016m to the provision needed.
<b>Pensions Liability</b>	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 £53.82m, a 1 year increase in member life expectancy will result in an increase in liabilities of £14.96m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £32.77m
<b>Arrears</b>	At 31 March 2016, the Authority had a balance of sundry debtors of £3.88m. A review of significant balances suggested that an impairment of doubtful debts of 27.68%/£1.07m 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 £1.07m 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.

## 6. 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.

Disposal of property, plant and equipment:-	£'000
Net Book Value of Assets	1,853
Sale Proceeds	(3,303)
(profit)/loss on disposal	<u>(1,450)</u>

## 7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 22 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.





## Notes to the Accounts (cont'd)

### 8. 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. All movements can be traced through note 23.

2015/16

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'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	(11,611)	(5,689)		17,300
Amortisation of intangible assets (Note 15)	(60)	-		60
Capital grants and contributions applied (Note 33)	10,272	1,017		(11,289)
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	1,653	(203)		(1,450)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	10,168	2,610		(12,778)
Capital expenditure charged against the General Fund and HRA balances	1,899			(1,899)
Voluntary provision for repayment of debt (Note 23)	224			(224)
<b>Adjustments primarily involving the Capital Reserve:</b>				
Use of the Capital Reserve to finance new capital expenditure (Note 33)			4,500	(4,500)
<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 23)	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 23)	(7,376)	(469)		7,845
<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 23)	(124)	(11)		135
<b>Total Adjustments (See MIRS)</b>	<b>5,054</b>	<b>(2,745)</b>	<b>4,500</b>	<b>(6,809)</b>



## Notes to the Accounts (cont'd)

2014/15

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'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	(6,637)	(5,324)		11,961
Amortisation of intangible assets (Note 15)	(55)	-		55
Capital grants and contributions applied (Note 33)	9,322	202		(9,524)
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	164	(14)		(150)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	11,528	2,428		(13,956)
Capital expenditure charged against the General Fund and HRA balances	1,347	225		(1,572)
Voluntary provision for repayment of debt (Note 23)	224			(224)
<b>Adjustments primarily involving the Capital Reserve:</b>				
Use of the Capital Reserve to finance new capital expenditure (Note 33)			4,000	(4,000)
<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 23)	8			(8)
<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 23)	(8,696)	(334)		9,030
<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 23)	(80)	(3)		83
<b>Total Adjustments (See MIRS)</b>	<b>7,125</b>	<b>(2,820)</b>	<b>4,000</b>	<b>(8,305)</b>



## Notes to the Accounts (cont'd)

### 9. MOVEMENT IN RESERVES STATEMENT-TRANSFERS 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 2015/16.

	Balance at 31 March 2014 £000	Transfers Out 2014/15 £000	Transfers In 2014/15 £000	Balance at 31 March 2015 £000	Transfers Out 2015/16 £000	Transfers In 2015/16 £000	Balance at 31 March 2016 £000
<b>Non-earmarked Reserve</b>	(8,508)	4,312	(4,838)	(9,034)	11,635	(11,481)	(8,880)
Equalisation Reserve	(1,685)	-	(107)	(1,792)	-	(112)	(1,904)
Modernisation Fund	(2,821)	676	(1,017)	(3,162)	547	(2,018)	(4,633)
Unspent Grants	(328)	328	(179)	(179)	179	(1,484)	(1,484)
Whitelees Wind Farm	(643)	247	(227)	(623)	304	(229)	(548)
Commuted Sums	(933)	96	(429)	(1,266)	585	(521)	(1,202)
<b>General Fund Total</b>	<b>(14,918)</b>	<b>5,659</b>	<b>(6,797)</b>	<b>(16,056)</b>	<b>13,250</b>	<b>(15,845)</b>	<b>(18,651)</b>
HRA	(507)	-	(446)	(953)	-	(460)	(1,413)
Capital Reserve	(26,413)	4,000	(3,567)	(25,980)	4,500	(7,445)	(28,925)
Repairs and Renewal Fund	(9,416)	1,948	(2,070)	(9,538)	2,444	(3,376)	(10,470)
Insurance Fund	(1,714)	283	(10)	(1,441)	36	(509)	(1,914)
<b>Total</b>	<b>(52,968)</b>	<b>11,890</b>	<b>(12,890)</b>	<b>(53,968)</b>	<b>20,230</b>	<b>(27,635)</b>	<b>(61,373)</b>

### 10. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2015/16 £'000	2014/15 £'000
(Gain)/Loss on disposal of Fixed Asset	(1,450)	(150)
Rental Income – operating lease over property, plant & equipment	(661)	(622)
	<b>(2,111)</b>	<b>(772)</b>



## Notes to the Accounts (cont'd)

### 11. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2015/16	2014/15
	£000	£000
Interest payable and similar charges	10,242	10,811
Pension interest costs and expected return on pensions assets	4,936	5,404
Interest receivable and similar income	(762)	(624)
Income and expenditure in relation to investment properties and changes in their fair value	-	-
<b>Total</b>	<b>14,416</b>	<b>15,591</b>

### 12. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON SPECIFIC GRANT INCOMES

	2015/16	2014/15
	£000	£000
Council tax income	(41,966)	(41,133)
Non domestic rates	(16,553)	(15,151)
Non ring-fenced government grants	(165,433)	(160,961)
Capital grants and contributions	(11,289)	(9,524)
<b>Total</b>	<b>(235,241)</b>	<b>(226,769)</b>



## Notes to the Accounts (cont'd)

### 13. PROPERTY, PLANT AND EQUIPMENT

#### Movements on Balances

#### Movements in 2015/16

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation</b>								
<b>At 1 April 2015</b>	<b>136,561</b>	<b>247,686</b>	<b>26,201</b>	<b>32,341</b>	<b>1,609</b>	<b>3,333</b>	<b>117,498</b>	<b>565,229</b>
additions	4,869	4,270	2,825	2,575	953	8,543	1,586	25,621
donations	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	19,605	3,334	-	-	-	-	(115)	22,824
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(472)	(339)	-	-	-	-	-	(811)
derecognition - disposals	(1,050)	(598)	(461)	-	-	-	-	(2,109)
derecognition - other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	(238)	-	-	-	-	-	-	(238)
depreciation written back on revaluation	(4,209)	(4,760)	-	-	-	-	(1,650)	(10,619)
<b>At 31 March 2016</b>	<b>155,066</b>	<b>249,593</b>	<b>28,565</b>	<b>34,916</b>	<b>2,562</b>	<b>11,876</b>	<b>117,319</b>	<b>599,897</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>at 1 April 2015</b>	<b>(6,488)</b>	<b>(5)</b>	<b>(18,921)</b>	<b>(6,690)</b>	<b>-</b>	<b>-</b>	<b>(5,996)</b>	<b>(38,100)</b>
depreciation charge	(5,090)	(4,774)	(3,251)	(1,045)	-	-	(2,322)	(16,482)
depreciation written out on revaluation and disposal	4,209	4,760	461	-	-	-	1,650	11,080
derecognition	-	-	-	-	-	-	-	-
<b>At 31 March 2016</b>	<b>(7,369)</b>	<b>(19)</b>	<b>(21,711)</b>	<b>(7,735)</b>	<b>-</b>	<b>-</b>	<b>(6,668)</b>	<b>(43,502)</b>
<b>Net Book Value</b>								
<b>At 31 March 2016</b>	<b>147,697</b>	<b>249,574</b>	<b>6,854</b>	<b>27,181</b>	<b>2,562</b>	<b>11,876</b>	<b>110,651</b>	<b>556,395</b>
<b>At 31 March 2015</b>	<b>130,073</b>	<b>247,681</b>	<b>7,280</b>	<b>25,651</b>	<b>1,609</b>	<b>3,333</b>	<b>111,502</b>	<b>527,129</b>



## Notes to the Accounts (cont'd)

### Comparative Movements in 2014/15

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation								
<b>At 1 April 2014</b>	<b>133,969</b>	<b>237,846</b>	<b>23,843</b>	<b>30,416</b>	<b>923</b>	<b>1,115</b>	<b>118,772</b>	<b>546,884</b>
additions	3,236	6,907	3,522	1,925	686	3,903	630	20,809
donations	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	8,202	6,167	-	-	-	-	1,825	16,194
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(95)	4,079	-	-	-	-	-	3,984
derecognition - disposals	(462)	(48)	(1,164)	-	-	-	-	(1,674)
derecognition - other	-	-	-	-	-	-	-	-
assets reclassified (to)/from Held for Sale	(97)	-	-	-	-	-	-	(97)
other movements in cost or valuation	(8,192)	(7,265)	-	-	-	(1,685)	(3,729)	(20,871)
<b>At 31 March 2015</b>	<b>136,561</b>	<b>247,686</b>	<b>26,201</b>	<b>32,341</b>	<b>1,609</b>	<b>3,333</b>	<b>117,498</b>	<b>565,229</b>
<b>Accumulated Depreciation and Impairment</b>								
<b>at 1 April 2014</b>	<b>(9,731)</b>	<b>(4,295)</b>	<b>(16,910)</b>	<b>(5,740)</b>	<b>-</b>	<b>-</b>	<b>(7,421)</b>	<b>(44,097)</b>
depreciation charge	(4,965)	(4,552)	(3,173)	(950)	-	-	(2,304)	(15,944)
depreciation written out on revaluation and disposal	8,208	8,842	1,162	-	-	-	3,729	21,941
derecognition	-	-	-	-	-	-	-	-
<b>At 31 March 2015</b>	<b>(6,488)</b>	<b>(5)</b>	<b>(18,921)</b>	<b>(6,690)</b>	<b>-</b>	<b>-</b>	<b>(5,996)</b>	<b>(38,100)</b>
<b>Net Book Value</b>								
<b>At 31 March 2015</b>	<b>130,073</b>	<b>247,681</b>	<b>7,280</b>	<b>25,651</b>	<b>1,609</b>	<b>3,333</b>	<b>111,502</b>	<b>527,129</b>
<b>At 31 March 2014</b>	<b>124,238</b>	<b>233,551</b>	<b>6,933</b>	<b>24,676</b>	<b>923</b>	<b>1,115</b>	<b>111,351</b>	<b>502,787</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 - 27 years
- Community Assets - 30 - 50 years

### Capital Commitments

At 31 March 2016, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2016/17 and future years. The major commitments include:-

	£'000
■ Primary School Newton Mearns (Joint faith campus)	18,766
■ Crookfur Primary School and Nursery Condition Improvement	4,882
■ Auchenback Family Centre and Community Hub	7,800

Due to changes in European legislation the Barrhead High School Project (£22.7m) has now been amended so that the replacement school element will be fully funded by Scottish Government Grant. Ancillary facilities are being constructed under a separate contract, using Council Capital Funds (£7.952m).

### Revaluations

The Authority carries out an annual programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued. 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 arms 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)

### 14. HERITAGE ASSETS

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

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	TOTAL HERITAGE ASSETS £000
Cost or valuation						
<b>At 1 April 2015</b>	117	65	182	80	80	262
additions	-	-	-	-	-	-
donations	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
derecognition – disposals	-	-	-	-	-	-
derecognition - other	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31 March 2016</b>	117	65	182	80	80	262



## Notes to the Accounts (cont'd)

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	TOTAL HERITAGE ASSETS £000
Cost or valuation						
<b>At 1 April 2014</b>	117	65	182	80	80	262
additions	-	-	-	-	-	-
donations	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
derecognition – disposals	-	-	-	-	-	-
derecognition - other	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31 March 2015</b>	117	65	182	80	80	262

Further details on Heritage Assets can be found in note 43



## Notes to the Accounts (cont'd)

### 15. 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 £60k charged to revenue in 2015/16 was charged to two services, the Education Department (£5k), and the IT Administration cost centre (£55k) which was then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2015/16 Software Licences £000	2014/15 Software Licences £000
<b>Balance at start of year:</b>		
■ Gross carrying amounts	867	842
■ Accumulated amortisation	(785)	(730)
Net carrying amount at start of year	82	112
Additions:		
■ Internal development	-	-
■ Purchases	62	25
■ Acquired through business combinations	-	-
Amortisation for the period	(60)	(55)
Other changes	-	-
Derecognition		
■ Gross Book Value	-	-
■ Accumulated amortisation	-	-
Net carrying amount at end of year	<b>84</b>	<b>82</b>
Comprising:		
■ Gross carrying amounts	929	867
■ Accumulated amortisation	(845)	(785)
<b>Balance at end of year:</b>	<b>84</b>	<b>82</b>



## Notes to the Accounts (cont'd)

### 16. ASSETS HELD FOR SALE

	Current Assets 2015/16 £000	Current Assets 2014/15 £000
<b>Balance outstanding at start of year</b>	<b>204</b>	<b>46</b>
Assets newly classified as held for sale:		
■ Property, Plant and Equipment	237	204
■ Other assets/liabilities in disposal groups	-	-
Revaluation losses	(66)	-
Revaluation gains	-	-
Impairment losses	(5)	-
Assets declassified as held for sale:		
■ Property, Plant and Equipment	-	-
■ Other assets/liabilities in disposal groups	-	-
Assets sold	(204)	(46)
Transfers from non-current to current	-	-
<b>Balance outstanding at year-end</b>	<b>166</b>	<b>204</b>



## Notes to the Accounts (cont'd)

### 17. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016 £000	31 March 2015 £000	31 March 2016 £000	31 March 2015 £000
<b>Investments</b>				
Loans and receivables	247	97	44,365	28,190
<b>Total Investments</b>	<b>247</b>	<b>97</b>	<b>44,365</b>	<b>28,190</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost (including Bank overdraft)	(59,332)	(61,429)	(2,527)	(9,055)
<b>Total Borrowings</b>	<b>(59,332)</b>	<b>(61,429)</b>	<b>(2,527)</b>	<b>(9,055)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(75,950)	(78,863)	(2,913)	(2,802)
<b>Total other long term liabilities</b>	<b>(75,950)</b>	<b>(78,863)</b>	<b>(2,913)</b>	<b>(2,802)</b>

The gains and losses recognised in the Comprehensive Income & Expenditure statement in relation to financial instruments are as follows:-

	2015/16 £'000			2014/15 £'000		
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Total £000
Interest expenses	4,381	-	4,381	4,744	-	4,744
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>4,381</b>		<b>4,381</b>	<b>4,744</b>		<b>4,744</b>
Interest income	-	(277)	(277)	-	(166)	(166)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(277)</b>	<b>(277)</b>	<b>-</b>	<b>(166)</b>	<b>(166)</b>
<b>Net (gain)/loss for the year</b>	<b>4,381</b>	<b>(277)</b>	<b>4,104</b>	<b>4,744</b>	<b>(166)</b>	<b>4,578</b>





## Notes to the Accounts (cont'd)

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and 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 £44,612k financial assets and £61,429k financial liabilities for which Level 3\* valuations will apply. All the financial assets are classed as Loans and Receivables and 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 Capita 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:

£000s	31 March 2016		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	61,429	88,534	68,923	95,947

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 2016) arising from a commitment to pay interest to lenders above current market rates.



## Notes to the Accounts (cont'd)

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

£000s	31 March 2016		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial liabilities	61,429	104,166	68,923	106,977

However, 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 £46.08m, the fair value using New Borrowing Rates would be £68.70m. 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, based on the redemption interest rates for early redemption of £32.60m, along with accrued interest charge of £0.96m. The exit price for the PWLB loans including the additional charges would be £79.64m.

This redemption charge is a supplementary measure of the fair value the of Public Works Loan Board (PWLB) loans of £46.08m. 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.

£000s	31 March 2016		31 March 2015	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Loans and receivables	44,365	44,394	28,190	28,229
Investments	247	247	97	97
	<b>44,612</b>	<b>44,641</b>	<b>28,287</b>	<b>28,326</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)

### 18. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000	2015/16 £000	2014/15 £000
Balance outstanding at start of year	192	208	203	291	395	499
Purchases	2,332	2,469	630	527	2,962	2,996
Recognised as an expense in the year	(2,372)	(2,485)	(667)	(606)	(3,039)	(3,091)
Written off balances	-	-	(3)	(9)	(3)	(9)
<b>Balance outstanding at year-end</b>	<b>152</b>	<b>192</b>	<b>163</b>	<b>203</b>	<b>315</b>	<b>395</b>

### 19. DEBTORS

	31 March 2016 £000	31 March 2015 £000
Central government bodies	5,802	9,196
Other local authorities	2,187	1,461
NHS bodies	1,513	2,052
Public corporations and trading funds	-	52
Interest due from investments	40	53
Other entities and individuals	3,666	4,325
<b>Total</b>	<b>13,208</b>	<b>17,139</b>

### 20. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

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

	31 March 2016 £000	31 March 2015 £000
Cash held by the Authority	18	23
Bank current accounts	(430)	(1,561)
Short-term deposits	39,365	18,190
<b>Total Cash and Cash Equivalents</b>	<b>38,953</b>	<b>16,652</b>



## Notes to the Accounts (cont'd)

### 21. CREDITORS

	31 March 2016 £000	31 March 2015 £000
Central government bodies	(3,645)	(3,952)
Other local authorities	(1,957)	(583)
NHS bodies	(1,762)	(2,189)
Public corporations and trading funds	(256)	(241)
Interest due on Long term Borrowing	(1,008)	(1,093)
Other entities and individuals	(31,825)	(24,801)
<b>Total</b>	<b>(40,453)</b>	<b>(32,859)</b>

### 22. PROVISIONS

	Teachers Maternity Pay £000	Short term provisions £'000	Equal pay £'000	SRC Operations £'000	Insurance Excess £'000	Long term provisions £'000
<b>Balance at 31 March 2015</b>	<b>(80)</b>	<b>(80)</b>	<b>(1,109)</b>	<b>(173)</b>	<b>(119)</b>	<b>(1,401)</b>
Additional provisions made in 2015/16	(106)	(106)	-	-	(17)	(17)
Amounts used in 2015/16	73	73	369	14	-	383
Unused amounts reversed in 2015/16	7	7	579	-	-	579
<b>Balance at 31 March 2016</b>	<b>(106)</b>	<b>(106)</b>	<b>(161)</b>	<b>(159)</b>	<b>(136)</b>	<b>(456)</b>

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

Three long term provisions have been made in the accounts totalling £456k. These are made up firstly of £161k to reflect the potential outcome of claims through an employment tribunal in respect of equal pay. Secondly, there is 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%. At present potential liabilities in respect of actual insurance and various legal actions is estimated to be £159k. Lastly there is a provision of £136k to cover insurance excess for outstanding claims made against the Council.



## Notes to the Accounts (cont'd)

### 23. BALANCE SHEET - UNUSABLE RESERVES

	31 March 2016 £000	31 March 2015 £000
Revaluation Reserve	(98,291)	(78,130)
Capital Adjustment Account	(278,287)	(261,133)
Financial Instruments Adjustment Account	1,929	2,162
Pensions Reserve	108,590	153,576
Statutory Accumulating Compensated Absences Account	5,271	5,136
<b>Total Unusable Reserves</b>	<b>(260,788)</b>	<b>(178,389)</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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(78,130)</b>	<b>(63,910)</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	(24,279)	(17,376)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,520	1,181
<b>Amount written off to the Capital Adjustment Account:</b>		
Difference between fair value depreciation and historical cost depreciation	2,174	1,853
Accumulated gains on assets sold or scrapped	424	122
<b>Balance at 31 March</b>	<b>(98,291)</b>	<b>(78,130)</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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>(261,133)</b>	<b>(241,972)</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>	17,300 - (1,586) 60 - 1,853	11,961 - (630) 55 - 543
	(243,506)	(230,043)
Adjusting amounts written out of the Revaluation Reserve	(2,598)	(1,975)
Net written out amount of the cost of non-current assets consumed in the year	(246,104)	(232,018)





## Notes to the Accounts (cont'd)

	2015/16 £000	2014/15 £000
Capital financing applied in the year:		
■ Use of the Capital Receipts to finance new capital expenditure	(3,303)	(693)
■ Grants applied to Capital Investment	(11,289)	(9,524)
■ PPP/PFI Finance lease Repayments	(2,803)	(3,227)
■ Loan Repayments for the financing of capital investment charged against the General Fund and HRA balances	(9,975)	(10,729)
■ Capital Funded from Current Revenue/capital reserve	(4,813)	(4,942)
<b>Balance at 31 March</b>	<b>(278,287)</b>	<b>(261,133)</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 early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 8 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>2,162</b>	<b>2,394</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(224)	(224)
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)	(8)
<b>Balance at 31 March</b>	<b>1,929</b>	<b>2,162</b>



## Notes to the Accounts (cont'd)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The 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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>153,576</b>	<b>123,989</b>
Actuarial (gains) or losses on pensions assets and liabilities	(52,831)	20,557
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	17,978	19,769
Employer's pension contributions and direct payments to pensioners payable in the year	(10,133)	(10,739)
<b>Balance at 31 March</b>	<b>108,590</b>	<b>153,576</b>

### 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, eg 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.

	2015/16 £000	2014/15 £000
<b>Balance at 1 April</b>	<b>5,136</b>	<b>5,053</b>
Settlement or cancellation of accrual made at the end of the preceding year	(5,136)	(5,053)
Amounts accrued at the end of the current year	5,271	5,136
<b>Balance at 31 March</b>	<b>5,271</b>	<b>5,136</b>



## Notes to the Accounts (cont'd)

### 24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £000	2014/15 £000
Interest received	(272)	(155)
Interest paid	4,864	5,181
Interest element of finance lease rental and PPP/PFI payment	5,695	5,927

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

	2015/16 £000	2014/15 £000
Depreciation and impairment	(17,300)	(11,961)
Amortisation of intangible assets	(60)	(55)
(Increase)/decrease in creditors	(7,392)	2,647
Increase/(decrease) in debtors	(5,080)	4,408
Increase/(decrease) in inventories	(80)	(104)
Movement in pension liability	(7,845)	(9,030)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	1,450	150
Other non-cash items charged to the net surplus or deficit on the provision of services	11,522	13,756
	<b>(24,785)</b>	<b>(189)</b>



## Notes to the Accounts (cont'd)

### 25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2015/16 £000	2014/15 £000
Purchase of property, plant and equipment, investment property and intangible assets	23,664	19,696
Purchase of short-term and long-term investments	209,053	426,805
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,303)	(693)
Proceeds from short-term and long-term investments	(209,053)	(426,805)
Other receipts from investing activities	(9,110)	(14,548)
<b>Net cash flows from investing activities</b>	<b>11,251</b>	<b>4,455</b>

### 26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2015/16 £000	2014/15 £000
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	2,803	3,227
Repayments of short and long-term borrowing	2,644	2,904
Other payments for financing activities	-	-
<b>Net cash flows from financing activities</b>	<b>5,447</b>	<b>6,131</b>

### 27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Full Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.



## Notes to the Accounts (cont'd)

The income and expenditure of the Authority's service directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2015/16	Education	Health & Community Care Partnership	Community Resources	Environment	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(14,897)	(10,928)	(443)	(12,599)	(38,867)
Government grants	(1,208)	(786)	-	(1,039)	(3,033)
<b>Total Income</b>	<b>(16,105)</b>	<b>(11,714)</b>	<b>(443)</b>	<b>(13,638)</b>	<b>(41,900)</b>
Employee expenses	82,583	19,563	2,315	12,303	116,764
Other service expenses	47,872	37,063	1,402	23,621	109,958
Support service recharges	4,479	2,244	431	1,992	9,146
<b>Total Expenditure</b>	<b>134,934</b>	<b>58,870</b>	<b>4,148</b>	<b>37,916</b>	<b>235,868</b>
<b>Net Expenditure</b>	<b>118,829</b>	<b>47,156</b>	<b>3,705</b>	<b>24,278</b>	<b>193,968</b>

Directorate Income and Expenditure 2014/15	Education	Community Health & Care Partnership	Community Resources	Environment	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(20,337)	(11,777)	(1,116)	(13,340)	(46,570)
Government grants	(1,326)	(1,137)	-	(913)	(3,376)
<b>Total Income</b>	<b>(21,663)</b>	<b>(12,914)</b>	<b>(1,116)</b>	<b>(14,253)</b>	<b>(49,946)</b>
Employee expenses	84,194	20,455	3,284	11,953	119,886
Other service expenses	49,131	35,746	2,061	24,024	110,962
Support service recharges	4,971	2,597	1,040	2,307	10,915
<b>Total Expenditure</b>	<b>138,296</b>	<b>58,798</b>	<b>6,385</b>	<b>38,284</b>	<b>241,763</b>
<b>Net Expenditure</b>	<b>116,633</b>	<b>45,884</b>	<b>5,269</b>	<b>24,031</b>	<b>191,817</b>



## Notes to the Accounts (cont'd)

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### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Directorate Analysis	193,968	191,817
Net expenditure of services and support services not included in the Analysis	14,119	8,705
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	9,798	6,450
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(9,163)	(4,358)
<hr/>		
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>208,722</b>	<b>202,614</b>



## Notes to the Accounts (cont'd)

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services, including the Housing Revenue Account, as shown in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(38,867)	(19,178)	-	-	(4,075)	(62,120)	(661)	(62,781)
Interest and Investment income	-	-	484	(220)	-	264	(762)	(498)
Income from council tax	-	-	-	-	-	-	(41,966)	(41,966)
Government grants and Contributions	(3,033)	(16,024)	(1,305)	-	(37)	(20,399)	(193,275)	(213,674)
<b>Total Income</b>	<b>(41,900)</b>	<b>(35,202)</b>	<b>(821)</b>	<b>(220)</b>	<b>(4,112)</b>	<b>(82,255)</b>	<b>(236,664)</b>	<b>(318,919)</b>
Employee expenses	116,764	4,575	2,192	-	13,139	136,670	4,936	141,606
Other service expenses	109,958	40,519	(7,561)	(8,943)	2,974	136,947	-	136,947
Support Service recharges	9,146	4,227	-	-	(13,373)	-	-	-
Depreciation, amortisation and Impairment	-	-	15,988	-	1,372	17,360	-	17,360
Interest Payments	-	-	-	-	-	-	10,242	10,242
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(1,450)	(1,450)
<b>Total Expenditure</b>	<b>235,868</b>	<b>49,321</b>	<b>10,619</b>	<b>(8,943)</b>	<b>4,112</b>	<b>290,977</b>	<b>13,728</b>	<b>304,705</b>
<b>Surplus or deficit on the provision of services</b>	<b>193,968</b>	<b>14,119</b>	<b>9,798</b>	<b>(9,163)</b>	<b>-</b>	<b>208,722</b>	<b>(222,936)</b>	<b>(14,214)</b>





## Notes to the Accounts (cont'd)

2014/15	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(46,570)	(16,535)	-	-	(4,134)	(67,239)	(591)	(67,830)
Interest and Investment income	-	-	458	(217)	-	241	(624)	(383)
Income from council tax	-	-	-	-	-	-	(41,133)	(41,133)
Government grants and Contributions	(3,376)	(16,330)	149	-	(144)	(19,701)	(185,636)	(205,337)
<b>Total Income</b>	<b>(49,946)</b>	<b>(32,865)</b>	<b>607</b>	<b>(217)</b>	<b>(4,278)</b>	<b>(86,699)</b>	<b>(227,984)</b>	<b>(314,683)</b>
Employee expenses	119,886	4,506	3,360	-	12,816	140,568	5,404	145,972
Other service expenses	110,962	33,035	(7,445)	(4,141)	4,318	136,729	-	136,729
Support Service recharges	10,915	4,029	-	-	(14,944)	-	-	-
Depreciation, amortisation and Impairment	-	-	9,928	-	2,088	12,016	-	12,016
Interest Payments	-	-	-	-	-	-	10,811	10,811
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(150)	(150)
<b>Total Expenditure</b>	<b>241,763</b>	<b>41,570</b>	<b>5,843</b>	<b>(4,141)</b>	<b>4,278</b>	<b>289,313</b>	<b>16,065</b>	<b>305,378</b>
<b>Surplus or deficit on the provision of services</b>	<b>191,817</b>	<b>8,705</b>	<b>6,450</b>	<b>(4,358)</b>	<b>-</b>	<b>202,614</b>	<b>(211,919)</b>	<b>(9,305)</b>



## Notes to the Accounts (cont'd)

### 28. TRADING OPERATIONS

The provisions of the Local Government in Scotland Act 2003 require the Council to identify significant trading operations (STO) and to ensure that they achieve a break-even trading position over a three year period.

The Council no longer operates any significant trading operations.

### 29. AGENCY SERVICES

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

During 2015/16 the Council collected and paid over £16.1m (2014/15 £15.8m) and received £0.259m (2014/15 £0.229m) for providing the service.

### 30. EXTERNAL AUDIT COSTS

The Authority has incurred the following costs in relation to its external audit and inspection.

	<b>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Agreed Audit Scotland audit fee for the year	<b>225</b>	<b>235</b>



## Notes to the Accounts (cont'd)

### 31. GRANT INCOME

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

	2015/16 £000	2014/15 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	165,433	160,961
Non Domestic Rates	16,553	15,151
Capital Grants and Contributions	11,289	9,524
<b>Total</b>	<b>193,275</b>	<b>185,636</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	15,037	15,384
Housing Benefit Administration Grant	242	236
Active School Programme	233	236
Drug Treatment and Testing	11	447
Criminal Justice Grant	465	549
Private Sector Housing Grant	321	400
Education Maintenance Allowance	508	506
Strathclyde Passenger Transport	516	440
Miscellaneous Revenue Grants	3,066	1,503
<b>Total</b>	<b>213,674</b>	<b>205,337</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:

	31 March 2016 £000
<b>Capital Grants Receipts in Advance</b>	
Developer's Contributions	2,636
Energy Grant	236
Miscellaneous	29
	<b>2,901</b>



## Notes to the Accounts (cont'd)

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### 32. RELATED PARTIES

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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.

#### **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 the subjective analysis in Note 27 on reporting for resources allocation decisions and are listed in note 31.

#### **Members**

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2015/16 is shown on page 31. 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. When this situation arises 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. 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 30.



## Notes to the Accounts (cont'd)

### 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:-

	During 2015/16		As at 31 March 2016	
	Charges to £m	Charges from £m	Due from £m	Due to £m
East Renfrewshire Culture & Leisure Trust	(0.40)	3.84	(0.27)	1.39
East Renfrewshire Integration Joint Board	23.54	23.54	-	0.97

### 33. 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.

2015/16	Housing	General	Total
	Fund £000		£000
<i>Opening Capital Financing Requirement as at 31 March 2015</i>	<b>27,767</b>	<b>160,600</b>	<b>188,428</b>
<i>Capital investment</i>			
Property, Plant and Equipment	4,946	20,675	25,621
Intangible Assets	-	62	62
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve	-	(4,500)	(4,500)
Capital receipts	(943)	(2,360)	(3,303)
Government grants and other contributions	(1,017)	(10,272)	(11,289)
<b>Sums set aside from revenue:</b>			
Direct revenue contributions	-	(312)	(312)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(4,389)	(4,389)
Loans Fund Principal	(2,610)	(7,365)	(9,975)
<b>Closing Capital Financing Requirement as at 31 March 2016</b>	<b>28,143</b>	<b>152,200</b>	<b>180,343</b>
<b>Explanation of Movements in Year</b>			
Increase in underlying need to borrow	376	(5,658)	(5,282)
Assets acquired under lease and lease type arrangements	-	(2,803)	(2,803)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>376</b>	<b>(8,461)</b>	<b>(8,085)</b>



## Notes to the Accounts (cont'd)

2014/15

	Housing £000	General Fund £000	Total £000
<i>Opening Capital Financing Requirement as at 31 March 2014</i>	<b>27,675</b>	<b>169,665</b>	<b>197,340</b>
<i>Capital investment</i>			
Property, Plant and Equipment	3,298	17,510	20,808
Investment Properties	-	-	-
Intangible Assets	-	25	25
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve/Modernisation Fund/Repairs & Renewals	-	(4,000)	(4,000)
Capital receipts	(478)	(215)	(693)
Government grants and other contributions	(202)	(9,322)	(9,524)
<b><i>Sums set aside from revenue:</i></b>			
Direct revenue contributions	(225)	(717)	(942)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(3,857)	(3,857)
Loans fund principal	(2,301)	(8,428)	(10,729)
<b>Closing Capital Financing Requirement as at 31 March 2015</b>	<b>27,767</b>	<b>160,661</b>	<b>188,428</b>
 <i>Explanation of Movements in Year</i>			
Increase in underlying need to borrow	92	(5,777)	(5,685)
Assets acquired under lease and lease type arrangements	-	(3,227)	(3,227)
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>92</b>	<b>(9,004)</b>	<b>(8,912)</b>



## Notes to the Accounts (cont'd)

### 34. LEASES

#### AUTHORITY AS LESSEE

##### Finance Leases

East Renfrewshire Council does not operate as a lessee for any financial leases.

##### 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:

	31 March 2016 £000	31 March 2015 £000
Not later than one year	333	392
Later than one year and not later than five years	1,365	1,244
Later than five years	2,633	2,784
	<b>4,331</b>	<b>4,420</b>

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

	2015/16 £000	2014/15 £000
Minimum Lease payments	423	440
Contingent Rents	-	-
	<b>423</b>	<b>440</b>





## Notes to the Accounts (cont'd)

### AUTHORITY AS A LESSOR

#### Finance Leases

East Renfrewshire Council does not operate as a lessor for any finance leases.

#### Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- 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 2016 £000	31 March 2015 £000
Not later than one year	96	97
Later than one year and not later than five years	538	571
Later than five years	7,286	7,433
	<b>7,920</b>	<b>8,101</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 2015/16 £32,884 contingent rents were receivable by the Authority (2014/15 £1,663).

## 35. 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 13.



## Notes to the Accounts (cont'd)

### Movement in Value of Assets

	£'000
Valuation at 1 April 2015	21,397
Additions / Revaluations	429
Depreciation in Year	(441)
<b>NET BOOK VALUE AT 31 MARCH 2016</b>	<b>21,385</b>

The annual Unitary Charge is a fixed sum of £2.3m. This is offset by a Direct Support Payment from the Scottish Government of £1.25m leaving a net cost to the Council of £1.05m.

The total value of payments over the remainder of the contract before inflation will be £25.3m and the total value of income from the Scottish Government will be £13.75m resulting in a net outstanding undischarged obligation before inflation of £11.55m.

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

	Liability £'000	Contingent Rent £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 year	302	290	797	1,817	3,206
Within 2 to 5 years	2,773	2,207	2,757	5,903	13,640
Within 6 to 10 years	5,618	3,824	1,480	8,158	19,080
<b>ESTIMATED TOTAL</b>	<b>8,693</b>	<b>6,321</b>	<b>5,034</b>	<b>15,878</b>	<b>35,926</b>



## Notes to the Accounts (cont'd)

### (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 13.

#### Movement in value of ERC Assets

	£'000
Valuation at 1 April 2015	30,103
Additions / Revaluations	464
Depreciation in Year	(672)
<b>NET BOOK VALUE AT 31 MARCH 2016</b>	<b>29,895</b>

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

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 £1.9m.

#### Estimated Cash Value of Payments Due to be Made

	Liability £'000	Contingent Rent £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 year	940	271	1,523	664	3,398
Within 2 to 5 years	4,089	1,325	5,524	2,994	13,932
Within 6 to 10 years	5,715	2,126	5,502	4,868	18,211
Within 11 to 15 years	7,690	2,861	3,690	4,897	19,138
Within 16 to 20 years	8,388	2,918	1,093	3,944	16,343
<b>ESTIMATED TOTAL</b>	<b>26,822</b>	<b>9,501</b>	<b>17,332</b>	<b>17,367</b>	<b>71,022</b>



## Notes to the Accounts (cont'd)

### (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 13.

<b>Movement in Value of Assets</b>	<b>£'000</b>
Valuation at 1 April 2015	<b>60,002</b>
Additions / Revaluations	<b>578</b>
Depreciation in Year	<b>(1,209)</b>
<b>NET BOOK VALUE AT 31 MARCH 2016</b>	<b>59,371</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 £102.9m and the total value of income from the Scottish Government will be £55.26m leaving a net outstanding undischarged obligation of £47.64m.

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

	Liability	Contingent Rent	Interest	Service Charges	Total
	£'000	£'000	£'000	£'000	£'000
Within 1 year	1,671	1,191	3,175	2,779	8,816
Within 2 to 5 years	8,360	6,073	11,292	11,336	37,061
Within 6 to 10 years	12,382	9,810	10,373	18,087	50,652
Within 11 to 15 years	18,621	13,721	4,946	18,635	55,923
Within 16 to 20 years	2,312	1,622	85	1,913	5,932
<b>ESTIMATED TOTAL</b>	<b>43,346</b>	<b>32,417</b>	<b>29,871</b>	<b>52,750</b>	<b>158,384</b>



## Notes to the Accounts (cont'd)

### (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 is scheduled to be 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. The asset is currently in construction and has an estimated value of £22.7m on completion.

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

## 36. IMPAIRMENT LOSSES

**Impairment of Assets** Impairment losses/reversals of £0.816m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

	Losses £'000	Reversal of Previous losses £'000	Net loss £'000
Property, Plant and Equipment	3,034	(2,223)	811
Assets Held for Sale	5	-	5
Intangibles	-	-	-
	<b>3,039</b>	<b>(2,223)</b>	<b>816</b>

## 37. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2015/16 incurring liabilities of £2.2m (£2.5m in 2014/15). This was in respect of 39 officers (74 officers in 2014/15) from across the Council. The Remuneration Report at page 34 provides further details on exit packages.

## 38. 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 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.



## Notes to the Accounts (cont'd)

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

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 employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This was increased to 17.2% 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 £0.3m was paid (2014/15 £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.

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2015, the authority's own contributions equate to approximately 1.93%

### 39. DEFINED BENEFIT PENSION SCHEMES

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#### 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  $1/49^{\text{th}}$  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  $1/60^{\text{th}}$  of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on  $1/80^{\text{th}}$  and a lump sum based on  $3/80^{\text{th}}$  of final pensionable salary and years of pensionable service).



## Notes to the Accounts (cont'd)

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- 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.

### 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.

### 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 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:





## Notes to the Accounts (cont'd)

Included in net cost of services within Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2015/16	2014/15
	£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>	16,374 1,113 (3,134) (1,311)	14,256 1,391 - (1,282)
<i>Included Within Financing and Investment Income and Expenditure</i>		
<ul style="list-style-type: none"> <li>■ net interest cost</li> </ul>	4,936	5,404
<i>Total of LGPS Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	17,978	19,769
<i>Included within Other Comprehensive Income and Expenditure</i>		
<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>	2,759 - (49,728) (5,862)	(24,911) 14,473 56,514 (25,519)
<i>Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	(34,853)	40,326
<b><i>Movement in Reserves Statement</i></b>		
<ul style="list-style-type: none"> <li>■ Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme</li> <li>■ Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services</li> </ul>	10,133 (17,978)	10,739 (19,769)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,845)	(9,030)



## Notes to the Accounts (cont'd)

### 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:

	Local Government Pension Scheme £000	
	2015/16	2014/15
Present value of the defined benefit obligation	(498,531)	(550,132)
Fair value of plan assets	389,941	396,556
<b>Net liability arising from defined benefit obligation</b>	<b>(108,590)</b>	<b>(153,576)</b>

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

	Local Government Pension Scheme £000	
	2015/16	2014/15
<b>Opening fair value of scheme assets</b>	<b>396,556</b>	<b>353,181</b>
Effect of Settlement	(16,909)	-
Interest income	12,299	15,245
Remeasurement gain/(loss):		
▪ The return on plan assets, excluding the amount included in the net interest expenses	(2,759)	24,911
▪ Other (if applicable)	-	-
The effect of changes in foreign exchange rates	-	-
Contributions from employer	10,133	10,739
Contributions from employees into the scheme	3,132	3,197
Benefits paid	(12,511)	(10,717)
<b>Closing fair value of scheme assets</b>	<b>389,941</b>	<b>396,556</b>



## Notes to the Accounts (cont'd)

### Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme £000	
	2015/16	2014/15
<b>Opening balance at 1 April</b>	<b>(550,132)</b>	<b>(477,170)</b>
Effect of Settlement	20,043	-
Current service cost	(16,374)	(14,256)
Interest cost	(17,235)	(20,649)
Contributions from scheme participants	(3,132)	(3,197)
Remeasurement gains and (losses)		
▪ Actuarial gains/(losses) arising from changes in demographic assumptions	-	(14,473)
▪ Actuarial gains/(losses) arising from changes in financial assumptions	49,728	(56,514)
▪ Other	5,862	25,519
Past service cost	(1,113)	(1,391)
Benefits paid	13,822	11,999
<b>Closing balance at 31 March</b>	<b>(498,531)</b>	<b>(550,132)</b>



## Notes to the Accounts (cont'd)

### Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-16				31-Mar-15			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active Markets £(000s)	Total £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active Markets £(000s)	Total £(000s)	%
Equity Securities:								
Consumer	36,563	9	36,572	9	37,467	9	37,476	9
Manufacturing	28,961	253	29,214	7	29,677	247	29,924	8
Energy and Utilities	11,490	-	11,490	3	11,774	-	11,774	3
Financial Institutions	26,904	2	26,906	7	27,569	2	27,571	7
Health and Care	15,722	9	15,731	4	16,111	9	16,119	4
Information Technology	22,230	34	22,263	6	22,779	33	22,812	6
Other	-	-	-	-	-	-	-	-
Debt Securities								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	1	1	-	-	2	2	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	37,930	37,930	10	-	38,588	38,588	10
Real Estate:								
UK Property	-	41,891	41,891	11	-	36,230	36,230	9
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	3,392	97,823	101,215	26	4,171	109,605	113,776	29
Bonds	-	47,592	47,592	12	-	50,208	50,208	13
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	133	-	133	-	150	-	150	-
Infrastructure	-	-	-	-	-	1,340	1,340	-
Other	-	5,473	5,473	1	-	720	720	-
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	94	-	94	-	121	-	121	-
Cash and cash equivalents								
All	13,021	416	13,436	3	-	9,744	9,744	2
<b>Totals</b>	<b>158,508</b>	<b>231,433</b>	<b>389,941</b>	<b>100</b>	<b>149,818</b>	<b>246,738</b>	<b>396,556</b>	<b>100</b>

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



## Notes to the Accounts (cont'd)

### 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 2014.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme	
	2015/16	2014/15
Investment returns	2.6% (estimate)	13.1% (estimate)
Mortality assumptions:		
Longevity at 65 for current pensioners		
■ Men	22.1yrs	22.1yrs
■ Women	23.6yrs	23.6yrs
Longevity at 65 for future pensioners:		
■ Men	24.8yrs	24.8yrs
■ Women	26.2yrs	26.2yrs
Rate of increase in salaries	4.2%	4.3%
Rate of increase in pensions	2.2%	2.4%
Rate for discounting scheme liabilities	3.5%	3.2%

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.

Change in assumptions at 31 March 2016:	Approximate % increase to Employer Liability	Approximate monetary amount
0.5% decrease in Real Discount Rate	11	<del>(3,000)</del>
1 year increase in member life expectancy	3	14,956
0.5% increase in the Salary Increase Rate	4	19,887
0.5% increase in the Pension Increase Rate	7	32,766



## Notes to the Accounts (cont'd)

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### 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 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 2014.

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 2017 is £9.845 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.4 years (19.4 years 2014/15).

## 40. CONTINGENT LIABILITIES

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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. Further contingent liabilities exist in relation to the Council's share of any potential future asbestos related claims against the former Strathclyde Regional Council. In addition, a contingent liability exists for any potential future equal pay claims that may be received.

As the Council continues to implement workforce planning all departments are carrying out a programme of reviews. These may result in non-recurring expenditure in relation to possible future redundancies.



## Notes to the Accounts (cont'd)

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### 41. FINANCIAL GUARANTEE

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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

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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:

- 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/constitution;
- 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 or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.





## Notes to the Accounts (cont'd)

The annual treasury management strategy and the prudential indicators were approved by Council on 12 February 2015 and are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2015/16 was set at £194.459m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £179.747m. 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.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below:

Financial Asset Category	Criteria	Maximum Investment		
		Fitch	Moody's	
Deposits with Bank and Money Market Funds	Short Term: Long Term:	F1 A	P-1 A3	£1 - 10m for each individual bank. £30m total for money market funds with maximum of £5m per fund

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.



## Notes to the Accounts (cont'd)

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2016 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2016 %	Estimated maximum exposure to default and uncollectability at 31 March 2016 £000	Estimated maximum exposure at 31 March 2015 £000
Deposits with Banks	10,018	0.00	0.00	-	-
Building Societies	2,000	0.00	0.00	-	-
Deposits with Money Market Funds	15,570	0.00	0.00	-	-
Deposits with Local Authorities / Subsidiary	16,777	0.00	0.00	-	-
Customers – sundry debtors	3,876	8.6	8.6	333	496
	<b>48,241</b>			<b>333</b>	<b>496</b>

The Council does not generally allow credit for customers, such that as at 31 March 2016 £1.463m of the £3.876m (£1.433m of £4.957m as at 31 March 2015) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by ages as follows:

	31 March 2016 £'000	31 March 2015 £'000
Less than 3 months and past due	227	404
date Three to six months	178	66
Six months to one year	135	137
More than one year	923	826
	<b>1,463</b>	<b>1,433</b>

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 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 PW LB 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



## Notes to the Accounts (cont'd)

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:

	31 March 2016	31 March 2015
	£000	£000
Less than one year	2,097	7,494
Between one and two years	1,764	2,097
Between two and five years	4,780	4,382
More than five years	52,788	54,950
	<b>61,429</b>	<b>68,923</b>

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

Borrowings are not carried at fair value, 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



## Notes to the Accounts (cont'd)

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	197
Increase in interest receivable on variable rate investments	(206)
Increase in government grant receivable for financing costs	(560)
Impact on Surplus or Deficit on the Provision of Services	(569)
Share of overall impact debited to the HRA	(158)
Decrease in fair value of fixed rate investment assets	240
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)	687

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.

## 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 2011/12 to 2015/16



# Housing Revenue Account Comprehensive Income and Expenditure Statement

## Housing Revenue Account Income & Expenditure Account

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.

	HRA Notes	2015/16 £'000	2014/15 (Restated) £'000
<b>Income</b>			
Dwelling Rents		(9,934)	(9,530)
Non-dwelling Rents		(116)	(101)
Housing Support Grant		-	-
Charges for Welfare Services		-	-
Hostels		-	-
Other Income		(1,342)	(1,099)
Sums Directed by the Scottish Government Minister that are income in accordance with IFRS		-	-
<b>Total Income</b>		<b>(11,392)</b>	<b>(10,730)</b>
<b>Expenditure</b>			
Repairs and Maintenance		4,562	3,718
Supervision and Management		2,684	2,657
Depreciation and Impairment on Non-Current Assets		5,689	5,324
Movements in the Impairment of Debtors	4	95	(167)
Other expenditure		243	756
Sums directed by the Scottish Government Minister that are expenditure in accordance with IFRS		-	-
<b>Total Expenditure</b>		<b>13,273</b>	<b>12,288</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>1,881</b>	<b>1,558</b>
HRA Services' Share of Corporate and Democratic Core		16	39
HRA Share of Other Amounts included in the Whole Authority Net Cost of Services (but not Allocated to Specific Services)		-	-
<b>Net Cost for HRA Services</b>		<b>1,897</b>	<b>1,597</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		11	(184)
Interest Payable and Similar Charges		1,217	1,228
Interest and Investment Income		(22)	(17)
Impairment		-	-
Pension Interest Cost and Expected Return on Pension Assets		235	236
Rental Income - operating lease over Property, Plant and Equipment		-	-
Capital Grants and Contributions Receivable		(1,017)	(202)
<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>2,321</b>	<b>2,658</b>



## Notes to the Housing Revenue Account

### Movement on the Housing Revenue Account Statement

	HRA Notes	2015/16 £'000	2014/15 £'000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		2,321	2,658
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(2,745)	(2,820)
Net (Increase) or Decrease Before Transfers to or from Reserves		<b>(424)</b>	<b>(162)</b>
Transfers to or (from) Reserves		(36)	(284)
(Increase) or Decrease in Year on the HRA		<b>(460)</b>	<b>(446)</b>
Balance on the HRA at the end of the Previous Year		<b>(953)</b>	<b>(507)</b>
<b>Balance on the HRA at the end of the Current Year</b>		<b>(1,413)</b>	<b>(953)</b>

### Housing Revenue Account Disclosures

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

	2015/16 £'000	2014/15 £'000
Gain or loss on sale of HRA non-current assets	(203)	(14)
Capital expenditure funded by the HRA	-	225
Transfer to/from the Capital Adjustment Account:		
Depreciation and Impairment	(5,689)	(5,324)
Capital Grants and Contributions	1,017	202
Repayment of Debt	2,610	2,428
HRA share of contributions to or from the Pensions Reserve	(469)	(334)
Transfer to/from the Statutory Compensated Absences Account	(11)	(3)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
	<b>(2,745)</b>	<b>(2,820)</b>



## Notes to the Housing Revenue Account (cont'd)

### 2. Housing Stock

Council's housing stock at 31 March 2016 was 2,993 (3,003 at March 2015) in the following categories:

	2015/16 Number	2014/15 Number
1 Apartment	175	175
2 Apartment	907	899
3 Apartment	1,298	1,309
4 Apartment	529	532
5 Apartment	79	83
6 Apartment	5	5
<b>Total</b>	<b>2,993</b>	<b>3,003</b>

### 3. Rent Arrears

At the year end rent arrears amounted to £871,200 (2014/15 - £759,152) of which the current rent arrears were £396,346 (2014/15 - £349,979) representing 3.8% (2014/15 3.5%) of gross rent due and former tenant arrears amounted to £462,886 (2014/15 - £397,507). In addition, the figure contains £11,968 (2014/15 - £11,666) in respect of outstanding Housing Benefit Overpayments.

### 4. Impairment of Debtors

In the financial year 2015/16, the bad debt provision for the Housing Revenue Account was increased by £94,911, resulting in a bad debt provision balance of £754,691 (2014/15 £659,780).

### 5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £187,174 (2014/15 £196,309).





## National Non Domestic Rates

### 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.

	2015/16 £000s	2014/15 £000s
Gross rates levied and contributions in lieu	18,190	19,171
Less:		
Reliefs and other deductions	(3,786)	(4,417)
Payments of interest	-	-
Write-offs of uncollectable debts & allowance for impairment	(340)	(207)
<b>Net Non Domestic Rate Income collected</b>	<b>14,064</b>	<b>14,547</b>
Collection adjustment to meet Provisional Contribution Amount	960	47
<b>Contribution to Non-Domestic Rate pool</b>	<b>15,024</b>	<b>14,594</b>
Distribution from Non-Domestic Rate pool	16,553	15,151
Adjustments for years prior to the pool	-	-
<b>Income credited to the Comprehensive Income and Expenditure Statement (per Note 12)</b>	<b>16,553</b>	<b>15,151</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 2015/16 was £0.48 (2014/15 £0.471)

	Number	Rateable Value as at 1 April 2015 £
Shops	589	15,982,900
Offices	350	3,857,700
Hotels, Boarding Houses etc	9	464,730
Industrial and Freight Transport	158	1,684,380
Subjects Miscellaneous Subjects	374	15,001,257
Others	261	3,759,745
<b>Total</b>	<b>1,741</b>	<b>40,750,712</b>



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>2015/16</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Gross Council Tax levied and contributions in lieu	51,115	50,745
Adjustments for prior years Council Tax	(31)	(70)
Adjusted for:		
Council Tax Reduction Scheme	(3,590)	(3,828)
Council Tax Benefits (Net of Government Grants)	21	45
Other discounts and reductions	(5,193)	(5,403)
Uncollectable debt and allowance for impairment	(356)	(358)
Community Charge recovered	-	2
<b>Net Council Tax Income included in the Comprehensive Income and Expenditure Account per Note 12</b>	<b>41,966</b>	<b>41,133</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 2015/16 was £1,126.00 (2014/15 £1,126.00).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 50% are made for unoccupied property for a period of up to six months. 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.



## Council Tax (cont'd)

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.

### Calculation of the Council Tax Base 2015/16\*

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,358	(147)	22	(200)	(19)	1,014	6/9	676
BAND B	5,216	(236)	6	(621)	(16)	4,349	7/9	3,382
BAND C	4,011	(116)	39	(411)	(19)	3,504	8/9	3,115
BAND D	6,408	(114)	(21)	(599)	(19)	5,655	9/9	5,655
BAND E	8,085	(121)	(10)	(527)	(18)	7,409	11/9	9,055
BAND F	5,974	(56)	(30)	(302)	(12)	5,574	13/9	8,051
BAND G	6,112	(64)	(6)	(265)	(19)	5,758	15/9	9,597
BAND H	688	(7)	-	(17)	(4)	660	18/9	1,320
						<b>Total</b>		<b>40,851</b>
						Provision for non-collection		(817)
						(2%) Council Tax Base		40,034

\* Source: A questionnaire requested by the Scottish Government entitled Council Tax Base 2014

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 2015/16 was £1,126.

Band A	£750.67	Band E	£1,376.22
Band B	£875.78	Band F	£1,626.44
Band C	£1,000.89	Band G	£1,876.67
Band D	£1,126.00	Band H	£2,252.00


**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.

**Movement in Reserves statement for the year ending 31 March 2016.**

	2015/16 Unusable Reserve: £000	2014/15 Unusable Reserve: £000
<b>Balance at 31 March 2015</b>	<b>(1,009)</b>	<b>(955)</b>
Deficit/(surplus) on the provision of services	59	(17)
Other comprehensive income and expenditure	(14)	(37)
<b>Balance at 31 March 2016</b>	<b>(964)</b>	<b>(1,009)</b>

**Comprehensive Income and Expenditure Statement for the year ending 31 March 2016**

	Expenditure £000	2015/16 Income £000	Net £000	Expenditure £000	2014/15 Income £000	Net £000
Net costs of services	63	(4)	59	29	(46)	(17)
<b>(Surplus) or deficit</b>			<b>59</b>			<b>(17)</b>
(surplus)/ deficit on revaluation of fixed assets			(14)			(37)
<b>Total Comprehensive Income and Expenditure</b>			<b>45</b>			<b>(54)</b>

**Balance Sheet**

	2015/16 £000	2014/15 £000
Property, Plant and Equipment	964	1,009
<b>Net Assets</b>	<b>964</b>	<b>1,009</b>
Unusable Reserve: Revaluation Reserve and Capital Adjustment Account	964	1,009
<b>Net Reserves</b>	<b>964</b>	<b>1,009</b>



## Common Good Fund (cont'd)

### Movement on Balances (Common Good)

	Total Property, Plant and Equipment 2015/16 £000	Total Property, Plant and Equipment 2014/15 £000
Cost or Valuation at 1 April	1,009	988
Additions	-	4
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14	37
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4)	46
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	(55)	(66)
<b>As at 31 March</b>	<b>964</b>	<b>1,009</b>
Accumulated Depreciation and Impairment at 1 April	-	(33)
Depreciation charge	(55)	(33)
Depreciation written out on revaluation and disposal	55	66
Derecognition – other (transfers)	-	-
<b>As at 31 March</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2016</b>	<b>964</b>	
<b>Net Book Value at 31 March 2015</b>	<b>1,009</b>	<b>1,009</b>
<b>Net Book Value at 31 March 2014</b>		<b>955</b>



## Group Movement in Reserves Statement

### Group Movement in Reserves Statement

This statement shows the movement in the year 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' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Group Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the Group General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purpose. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory Group General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

	Unallocated General Fund £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture £000	Total Authority Reserves £000
<b>Balance at 31 March 2015 carried forward</b>	(9,034)	(7,022)	(9,538)	(1,441)	(953)	(25,980)	(53,968)	(178,389)	(7,278)	(239,635)
<b>Movement in reserves during 2015/16</b>										
(Surplus) or deficit on the provision of services	(16,535)	-	-	-	2,321	-	(14,214)	-	(1,310)	(15,524)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(75,590)	(547)	(76,137)
<b>Total Comprehensive Income and Expenditure</b>	<b>(16,535)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,321</b>	<b>-</b>	<b>(14,214)</b>	<b>(75,590)</b>	<b>(1,857)</b>	<b>(91,661)</b>
Adjustments between accounting basis & funding basis under regulations	5,054	-	-	-	(2,745)	4,500	6,809	(6,809)	-	-
<b>Net (Increase)/Decrease before Transfers (to)/ from other statutory reserves</b>	<b>(11,481)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(424)</b>	<b>4,500</b>	<b>(7,405)</b>	<b>(82,399)</b>	<b>(1,857)</b>	<b>(91,661)</b>
Transfers (to)/from other statutory reserves	11,635	(2,749)	(932)	(473)	(36)	(7,445)	-	-	-	-
<b>(Increase)/Decrease in 2015/16</b>	<b>154</b>	<b>(2,749)</b>	<b>(932)</b>	<b>(473)</b>	<b>(460)</b>	<b>(2,945)</b>	<b>(7,405)</b>	<b>(82,399)</b>	<b>(1,857)</b>	<b>(91,661)</b>
<b>Balance at 31 March 2016 carried forward</b>	<b>(8,880)</b>	<b>(9,771)</b>	<b>(10,470)</b>	<b>(1,914)</b>	<b>(1,413)</b>	<b>(28,925)</b>	<b>(61,373)</b>	<b>(260,788)</b>	<b>(9,135)</b>	<b>(331,296)</b>



## Group Movement in Reserves Statement (cont'd)

	Unallocated General Fund £,000	Earmarked General Fund Balance £,000	Repairs & Renewals Fund £,000	Insurance Fund £,000	Housing Revenue Account £,000	Capital Reserve £,000	Total Usable Reserves £,000	Unusable Reserves £,000	Share of Reserves of Subsidiaries Associates and Joint Venture £,000	Total Authority Reserves £,000
<b>Balance at 31 March 2014 carried forward</b>	<b>(8,508)</b>	<b>(6,410)</b>	<b>(9,416)</b>	<b>(1,714)</b>	<b>(507)</b>	<b>(26,413)</b>	<b>(52,968)</b>	<b>(174,446)</b>	<b>(7,609)</b>	<b>(235,023)</b>
<b>Movement in reserves during 2014/15</b>										
(Surplus) or deficit on the provision of services	(11,963)	-	-	-	2,658	-	(9,305)	-	(154)	(9,459)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	4,362	485	4,847
<b>Total Comprehensive Income and Expenditure</b>	<b>(11,963)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,658</b>	<b>-</b>	<b>(9,305)</b>	<b>4,362</b>	<b>331</b>	<b>(4,612)</b>
Adjustments between accounting basis & funding basis under regulations	7,125	-	-	-	(2,820)	4,000	8,305	(8,305)	-	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory reserves</b>	<b>(4,838)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(162)</b>	<b>4,000</b>	<b>(1,000)</b>	<b>(3,943)</b>	<b>331</b>	<b>(4,612)</b>
Transfers (to)/from other statutory reserves	4,312	(612)	(122)	273	(284)	(3,567)	-	-	-	-
<b>(Increase)/Decrease in 2014/15</b>	<b>(526)</b>	<b>(612)</b>	<b>(122)</b>	<b>273</b>	<b>(446)</b>	<b>433</b>	<b>(1,000)</b>	<b>(3,943)</b>	<b>331</b>	<b>(4,612)</b>
<b>Balance at 31 March 2015 carried forward</b>	<b>(9,034)</b>	<b>(7,022)</b>	<b>(9,538)</b>	<b>(1,441)</b>	<b>(953)</b>	<b>(25,980)</b>	<b>(53,968)</b>	<b>(178,389)</b>	<b>(7,278)</b>	<b>(239,635)</b>



## Group Comprehensive Income and Expenditure Statement

### Group 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. 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 Movement in Reserves Statement.

Year ended 31 March 2015 (Restated)			Year ended 31 March 2016			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
123,129	(18,022)	105,107	Education Services	133,550	(15,062)	118,488
-	-	-	Housing Services – Contribution to Integration Joint Board	156	-	156
21,400	(17,629)	3,771	Housing Services – Provision of Services	21,970	(17,713)	4,257
18,791	(6,104)	12,687	Cultural & Related Services	8,429	(2,238)	6,191
13,168	(3,999)	9,169	Environmental Services	13,617	(3,671)	9,946
14,596	(2,583)	12,013	Roads & Transport Services	14,818	(2,239)	12,579
4,648	(1,700)	2,948	Planning & Development	4,233	(1,727)	2,506
-	-	-	Social Work – Contribution to Integration Joint Board	23,379	-	23,379
59,994	(12,908)	47,086	Social Work – Provision of Services	59,867	(35,675)	24,192
6,047	(2,419)	3,628	Central Services to the Public	4,474	(3,996)	478
38	(173)	(135)	Share of operating results of associates and joint venture	58	(1,020)	(962)
2,487	-	2,487	Corporate & Democratic Core	2,443	-	2,443
2,174	-	2,174	Non Distributable Costs	1,880	-	1,880
-	-	-	Share of associates (profit)/loss on disposal of Fixed Assets	-	-	-
<b>266,472</b>	<b>(65,537)</b>	<b>200,935</b>	<b>NET COST OF GENERAL SERVICE</b>	<b>288,874</b>	<b>(83,341)</b>	<b>205,533</b>
12,288	(10,730)	1,558	Housing Revenue Account	13,273	(11,392)	1,881
<b>278,760</b>	<b>(76,267)</b>	<b>202,493</b>	<b>COST OF SERVICES</b>	<b>302,147</b>	<b>(94,733)</b>	<b>207,414</b>
		(772)	Other operating expenditure			(2,111)
		15,589	Financing and investment income and expenditure			14,414
		(226,769)	Taxation and Non-Specific Grant Income			(235,241)
		<b>(9,459)</b>	<b>(Surplus) or Deficit on Provision of Services (note 1 Group)</b>			<b>(15,524)</b>
		(16,232)	(Surplus) or deficit on revaluation of fixed assets			(22,773)
		20,557	Actuarial (gains)/losses on pension assets/ liabilities			(52,529)
		522	Share of other comprehensive expenditure and income of associates and joint venture			(835)
		<b>4,847</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(76,137)</b>
		<b>(4,612)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(91,661)</b>





# Group Balance Sheet

**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'.

31 March 2015 (Restated) £000		31 March 2016 £000
528,138	Property, Plant & Equipment	557,359
262	Heritage Assets	262
82	Intangible Assets	84
	Long-term Investments and/or Investments in Associates and	
6,721	Joint Venture	8,285
97	Investments	247
<b>535,300</b>	<b>Long Term Assets</b>	<b>566,237</b>
204	Assets Held for Sale	166
320	Short Term Intangible Assets	329
395	Inventories	332
17,139	Short Term Debtors	13,757
10,000	Short Term Investments	5,000
16,652	Cash and Cash Equivalents	39,115
361	Investments – Trust Funds	362
<b>45,071</b>	<b>Current Assets</b>	<b>59,061</b>
(7,494)	Short Term Borrowing	(2,097)
(2,802)	Finance Lease (Includes PPP/PFI)	(2,913)
(32,709)	Short Term Creditors	(40,403)
(80)	Provisions	(106)
<b>(43,085)</b>	<b>Current Liabilities</b>	<b>(45,519)</b>
(1,401)	Provisions	(456)
(61,429)	Long Term Borrowing	(59,332)
(150)	Long Term Creditors	(373)
(813)	Liabilities in associates and joint venture	(579)
(78,863)	PFI/PPP Finance lease	(75,950)
(153,576)	Defined Benefit Pension Liability	(108,892)
(1,419)	Capital Grants Receipts in Advance	(2,901)
<b>(297,651)</b>	<b>Long Term Liabilities</b>	<b>(248,483)</b>
<b>239,635</b>	<b>Net Assets</b>	<b>331,296</b>
(57,364)	Usable Reserves	(65,437)
(182,271)	Unusable Reserves	(265,859)
<b>(239,635)</b>	<b>Total Reserves</b>	<b>(331,296)</b>

Margaret McCrossan CPFA  
Head of Accountancy (Chief Financial Officer)  
The unaudited accounts were issued on 22 June 2016



## Group Cash Flow Statement

### 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>2014/15 (Restated) £'000</b>		<b>2015/16 £'000</b>
(9,459)	Net (surplus) or deficit on the provision of services	(15,524)
(35)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(23,637)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(9,494)	Net cash flows from Operating	(39,161)
4,455	Activities Investing Activities	11,251
6,131	Financing Activities	5,447
1,092	Net (increase) or decrease in cash and cash equivalents	(22,463)
(17,744)	Cash and cash equivalents at the beginning of the reporting period	(16,652)
<b>(16,652)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(39,115)</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

	2015/16 £000	2014/15 £000
<b>(Surplus)/Deficit on East Renfrewshire Council's provision of services</b>	(14,214)	(9,305)
<b>(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts</b>		
Net expenditure/ (income) on Trust Funds in year	(1)	(2)
Common Good – Cowan Park	Í J	(17)
East Renfrewshire Culture and Leisure Trust	(I €)	-
<b>(Surplus)/Deficit in year arising from associates included in the Group Accounts:</b>		
Strathclyde Partnership for Transport	(448)	(173)
Strathclyde Concessionary Travel Scheme Joint Committee	(1)	-
Renfrewshire Valuation Board	57	38
<b>(Surplus)/Deficit in year arising from a joint venture included in the Group Account</b>		
East Renfrewshire Integration Joint Board	(571)	-
<b>GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>	<b>(15,524)</b>	<b>(9,459)</b>

### 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 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.



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

The company will promote, advance and further charitable purposes and activities through the provision of service 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 £0.103 million at 31 March 2016. The profit on ordinary activities before and after taxation for the year to 31 March 2016 was £0.103 million.

The latest set of audited accounts is for the year to 31 March 2016. 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.

The Council contributed £1.6m or 4.27% to the Authority's running costs during 2015/16 and accounted for £7,644m (2014/15 £6.653m) 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 2015/16 the Council contributed £0.178m or 4.17% to the annual running costs and accounted for £0.070m (2014/15 £0.068m) 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 £0.463m or 20.3% to the organisation's revenue costs and its share of the year-end net liability of £0.579m (2014/15 £0.813m) is included in the Group Balance Sheet.



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

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### Joint Venture:-

#### East Renfrewshire Integration Joint Board

The East Renfrewshire Integration Joint Board is 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 the United Kingdom 2015/16 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 2015/16 the Council contributed £30.383m or 43.3% to the annual running costs and accounted for £0.571m 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, 1 Burnfield Avenue, Giffnock, East Renfrewshire, G46 7TL.

### 3. FINANCIAL IMPACT OF CONSOLIDATION

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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 £9.135m, representing the Council's net share of the net assets in these entities.

### 4. ACCOUNTING POLICIES

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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.



## Notes to Group Accounts (cont'd)

### 5. 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.

Revenue Transactions		Expenditure	Income	Balance 31.3.16	Balance 31.3.15
		£	£	£	£
<b>Charity Number</b>					
SCO05976	Duff Memorial Fund	-	69	7,176	7,107
SCO16641	Newton Mearns Benevolent Fund	-	59	5,743	5,684
SCO19475	Janet Hamilton Fund	126	330	16,005	15,801
SCO19474	John Pattison Memorial	-	68	1,985	1,917
SCO19473	Hugh & Janet Martin Fund	-	116	4,150	4,034
SCO37293	Netherlee School 1937	6,000	5,174	3,769	4,595
SCO37925	Talented Children & Young People	-	3	6	3
<b>CHARITABLE REVENUE BALANCES</b>		<b>6,126</b>	<b>5,819</b>	<b>38,834</b>	<b>39,141</b>
	Thornliebank War Memorial Fund	-	36	632	596
	Anderson Bequest	-	210	553	343
	Cathcart Cemetery Fund	-	53	6,065	6,012
	Crum Memorial	-	6	43	37
	McNiven Prize	-	11	888	877
	Rev Denis Reen	-	24	2,116	2,092
	James Cowan Bequest	-	53	354	301
	Cowan Park Cropping Fund	-	2	15	13
	Annie Tyson Trust fund	600	1,208	48,006	47,398
	Rita Donnelly Memorial Prize	2,000	2,000	20	20
<b>OTHER TRUST FUND REVENUE BALANCES</b>		<b>2,600</b>	<b>3,603</b>	<b>58,692</b>	<b>57,689</b>
				<b>Capital Value of Fund 31.3.16</b>	<b>31.3.15</b>
				<b>£</b>	<b>£</b>
<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 Fund	- assisting the deserving poor in Barrhead		9,657	9,657
	Hugh & Janet Martin Memorial Fund	- for charitable & Education purposes		15,574	15,574
	Netherlee School 1937	- to advance the education of the pupils of Netherlee Primary School (both Current and former)		25,000	25,000
	Talented Children & Young People	- for talented children and young people in the fields of arts and culture		555	555
	Other - Charitable			1,500	1,500
<b>CHARITABLE TOTAL RESERVES</b>				<b>97,063</b>	<b>97,063</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 Group Accounts (cont'd)

		2015/16 £	2014/15 £
<b>Balance Sheet - Charitable</b>	Fund balances	135,897	136,204
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>135,897</b>	<b>136,204</b>
	Investments	-	1,500
	Debtors	-	-
	Due by Loans Fund	135,897	134,704
	<b>TOTAL ASSETS</b>	<b>135,897</b>	<b>136,204</b>
		<b>2015/16 £</b>	<b>2014/15 £</b>
<b>Balance Sheet - Other Trust Funds</b>	Fund balances	226,254	225,251
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>226,254</b>	<b>225,251</b>
	Investments	-	108
	Debtors	-	-
	Due by Loans Fund	226,254	225,143
	<b>TOTAL ASSETS</b>	<b>226,254</b>	<b>225,251</b>



## Notes to Group Accounts (cont'd)

### 6. 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 £63,651 (2014/15, £64,871) representing 2% (2014/15, 2.00%) of the organisation's estimated running costs for the year to 31 March 2016.
- 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 (2014/15, £72,438) representing 12.5% (2014/15, 12.5%) of the Committee's estimated running costs for the year to 31 March 2016.
- **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 (2014/15, £16,400) representing 4.02% (2014/15 4.02%) of the consortium's estimated running costs for the year to 31 March 2016.
- 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 (2014/15, £7,619) representing 5.95% (2014/15 5.95%) of the Committee's estimated running costs for the year to 31 March 2016.
- 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. (2014/15 £960) representing 3.87% (2014/15 3.7%) of the Forum's estimated running costs for the year to 31 March 2016
- The **Dams to Darnley Country Park Joint Committee** was formed to assist with the creation and maintenance of a Country Park between south west Glasgow and East Renfrewshire. The committee consists of representatives from East Renfrewshire and Glasgow City Councils along with other co-opted non-voting representatives. During the year the Council made a revenue contribution of £63,709 (2014/15 £65,637) representing 41.8% (2014/15 51.79%) of the Joint Committee's running costs for the year to 31 March 2016.





## Notes to Group Accounts (cont'd)

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- 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 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 £36,139 (2014/15 £3,463) representing 5.1% (2014/15 5.1%) of the organisation's running costs for the year to March 2016.
- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 28 participating 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 £74,646 (2014/15 £71,500) representing 2.42% (2014/15 2.42%) of the organisation's running costs for the year to 31 March 2016.



## Glossary of Terms

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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, support services 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 service activity.
4. **Non Distributable Costs**  
Non Distributable Costs represent costs which cannot be allocated to specific services and again, under the Service Reporting Code of Practice for Local Authorities, are excluded from the Total Cost relating to service activity.  
  
Examples of Non Distributable Costs are: -
  - (a) charges for added years and early retirement
  - (b) costs associated with unused shares of IT facilities
  - (c) costs of shares of other long term unused but unrealisable assets
5. **Capital Charges**  
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.
6. **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.
7. **Specific Government Grant**  
This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.
8. **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.
9. **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.
10. **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.



## Glossary of Terms (cont'd)

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11. **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.
12. **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.
13. **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.
14. **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.
15. **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.
16. **International Financial Reporting Standards (IFRS)**  
The basis on which Local Authority accounts are currently prepared.
17. **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.
18. **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.
19. **Joint Venture**  
A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.
20. **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.
21. **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.