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**To:** Council

**On:** 28 June 2018

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**Report by:** Director of Finance & Resources

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**Heading:** Annual Accounts 2017/18

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**1. Summary**

- 1.1 The Council's Accounts and Group Accounts for 2017/18 will be submitted for audit by the statutory deadline of 30 June 2018 and a copy of the Council's Accounts is attached for members' approval, along with the accounts of the charities the Council controls.
  - 1.2 The external auditor (Audit Scotland) will complete the audit process by early September 2018. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 25 September 2018 for consideration.
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**2. Recommendations**

- 2.1 Approve, subject to Audit, the Annual Accounts for 2017/18.
- 2.2 Note that Audit Scotland is planning to complete the audit of the Accounts by early September 2018 and that their report will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 25 September 2018 for detailed consideration.
- 2.3 Approve the sums earmarked within the General Fund reserves and HRA reserves as outlined in 3.3 below.
- 2.4 Approve the transfer of resources outlined in Table 1 below.

- 2.5 Approve, subject to audit, the annual accounts attached for the Common Good Funds and Charitable Trusts which under accounting regulations require to be separately prepared and audited from the Council's accounts.

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3. **Background**

- 3.1 The Council's Accounts and Group Accounts for 2017/18 will be submitted for audit by the statutory deadline of 30 June and a copy of the Council's Accounts is attached for members' approval. The accounts have been compiled to comply with International Financial Reporting Standards (IFRS) and relevant government accounting regulations. In order to comply with charity accounting requirements, the Council's Accounts do not incorporate statements relating to the Common Good Funds and Charitable Trust Funds which the Council controls. In both these instances, separate accounts have been prepared in accordance with registered charities accounting requirements and are also included for members' approval.
- 3.2 The external auditor (Audit Scotland) is planning to complete the audit process by early September. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 25 September 2018 for consideration.
- 3.3 The Management Commentary prefacing the Accounts provides an overview of the Council's financial performance and the key features are:-
- (a) Revenue spending has been contained within overall budget limits.
  - (b) After adjusting for planned carry forwards, carry forward of committed resources and year end allocations, the General Fund has delivered an underspend of £0.039 million after the transfer of £3.8 million to the capital investment fund as previously agreed, broadly in line with the forecast breakeven position previously reported to members. Unallocated balances increase to £7.094 million moving into 2018/19, again in line with the minimum level recommended to the Leadership Board in December 2017. This figure excludes £1.132 million of Scottish Government grant related to 2018/19 but which was allocated to the Council in 2017/18; and which was agreed by Council to be carried forward to 2018/19. As previously reported to members, the maintenance of an appropriate level of unallocated reserves remains a key aspect in the management of financial risk which Audit Scotland have indicated they will keep under ongoing review across all local authorities.
  - (c) Of the overall General Fund reserves, the following are proposed to be earmarked:
    - £0.566 million to fund the Council's anticipated final contribution to the M74 extension project. Glasgow City Council have confirmed that finalisation of this project will be achieved in 2018/19.

- £0.479 million as approved by the Economy & Jobs Policy Board on 20 May 2015 reflecting the flexible management of resources across financial years as part of the overall funding package supporting the delivery of the Invest in Renfrewshire Programme.
- £1.656 million of 2017/18 funding made available to the Renfrewshire HSCP which has been agreed to carry forward to offset adult social care service pressures anticipated in 2018/19; and a further £0.010 million related to specific sensory impairment funding received in 2017/18 which will be utilised by the HSCP in 2018/19.
- £1.161 million relating to the Council's approved policy on delegated management of resources within schools.
- £1.783 million to support delivery of the Council's medium term waste strategy.
- £3.681 million relating to the Service Modernisation and Reform Fund (SMARF) which is set aside to assist in the delivery of the Council's transformation and change programme.
- £2.399 million of funding carried forward to support the delivery of committed projects as part of the Private Sector Housing Programme as approved on 15 March 2016 by the Housing and Community Safety Policy Board.
- £1.059 million approved by the Council on 27 February 2014 to development initiatives on the Arnott's town centre site in Paisley.
- £0.031 million of planned revenue contributions to a number of approved capital projects principally relating to the Community Safety.
- £2.461 million of resources committed to the ongoing Early Years Strategy and Change Fund arrangements as reported to the Education and Children Policy Board on 14 May 2015.
- £12.670 million for the Schools PPP reserve in line with the Council's approved affordability framework.
- £1.481 million of resources committed to support the City Deal project as approved by Council on 13 February 2014.
- £0.703 million of resource committed to support measures to Tackle Poverty as approved by Council on 12 February 2015.
- £3.195 million of resource committed to support the Heritage Asset Strategy as agreed by Council on 12 February 2015
- £1.613 million of specific grant related to the Pupil Equity Fund

- £0.503 million of resource committed to fund town centre public wifi as agreed by Council on 3 March 2016
  - £1.531 million of resource agreed by the Leadership Board on 21 February 2018 in relation to legacy activities from the City of Culture 2021 bid.
- (e) Unallocated HRA reserves as at 31 March 2018 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks.
- (f) As detailed in Table 1 below, specific reserves now total £89.896 million, an increase on last year of £5.531 million which relates primarily to resources committed to the Council's capital investment programme and resources retained as part of delivering the council's ongoing medium term debt smoothing strategy.

**Table 1**

	<b>Opening balance  £ms</b>	<b>Contributions to Reserves  £ ms</b>	<b>Reserves Used / Transferred £ ms</b>	<b>Closing balance  £ ms</b>
Insurance Fund	2.543	-	-	2.543
Reservoir Repair Fund	0.314	0.001	-	0.315
Education Capital Items	0.766	0.586	0.220	1.132
Investment Programme Capital Fund	80.742	9.484	4.320	85.906
<b>Total</b>	<b>84.365</b>	<b>10.071</b>	<b>4.540</b>	<b>89.896</b>

- (g) Capital spending of £61.543 million on non housing projects was managed within the overall expenditure control limits approved by Council.
- (h) The Council has agreed to discontinue trading operations from 1 April 2018, therefore 2017/18 is the final year in which trading operation financial performance will be reported. Both Building Services and the catering trading operation under-recovered against the budgeted target surplus – further detail is provided in section 4.9 below.
- (i) The Council's in year council tax collection performance for 2017/18 was 96%, and is consistent with that reported in the previous year, equalling the highest ever performance achieved by the Council.

#### 4. **FINANCIAL PERFORMANCE 2017/18**

- 4.1 This section of the report provides an overview of the budget performance for each service.

#### **DEPARTMENTAL PERFORMANCE - GENERAL FUND REVENUE BUDGET**

##### 4.2 **Chief Executive's Service - £63,000 (1%) under-spend**

The underspend relates to staff vacancies over the course of the year.

##### 4.3 **Finance and Resources - £63,000 (0.2%) under-spend**

The year-end under-spend is a marginally improved position to that previously reported to members and relates primarily to an over-recovery of income mainly related to licensing, and employee cost underspends.

##### 4.4 **Environment & Communities - £186,000 (0.4%) over-spend**

The overspend for the department relates to the costs of responding to the severe weather experienced in late February and early March 2018, offset by additional income received from the Scottish Government which was allocated to address these costs.

##### 4.5 **Development & Housing Services - breakeven**

There are no significant variations from budget to report.

##### 4.6 **Children's Services - £36,000 (0.02%) under-spend**

Overspends in Additional Support for Learning and central administration have been offset by lower than anticipated expenditure on external placements.

The underspend is after accounting for year end budget flexibility carried forward by schools under Council's Delegated Management of Resources (DMR) Scheme as detailed in section 3.3 above.

##### 4.7 **Adult Services - breakeven**

The breakeven position is the net result of overspends in older people and physical disability services; offset by underspends in addiction services.

##### 4.8 **Miscellaneous and Leisure Services – £61,000 (0.1%) overspend**

The net year-end position on miscellaneous and leisure services was a marginal overspend linked to the debt smoothing strategy and supporting debt repayments within the Council's overall financial position.

#### 4.9 **Trading Operations – Underachievement of planned Surplus - £0.257 million**

Building Services achieved a surplus for the year of £0.315 million, while Roads Services achieved a surplus for the year of £0.142 million. Catering and Vehicle Maintenance trading operations achieved surpluses of £0.308m and £0.528m respectively. The overall surplus on all trading operations for the year of £1.293 million was £0.257 million less than the planned surplus of £1.550 million. This under-recovery against the planned surplus is attributable to Building Services and Catering Services. Due to the severe weather experienced in early February and early March both trading operations were affected as the catering account lost income for days when council facilities and schools were closed. In addition, Building Services staff were also redirected to support the response to the severe weather, further impacting on the level of rechargeable works; while the catering service experienced inflationary pressures on food and provisions costs. The surplus for the year from the trading operations has been added to General Fund balances, with the exception of Building Services, 89% of which was transferred to the Housing Revenue Account balance in line with agreed Council policy.

**Table 2**

	<b>Surplus 2015/16 £000s</b>	<b>Surplus 2016/17 £000s</b>	<b>Surplus 2017/18 £000s</b>	<b>Target Surplus 2016/17 £000s</b>	<b>Total Surplus 15/16 - 17/18 £000s</b>
Building Services	587	281	315	468	1,183
Roads Direct	133	129	142	125	404
Vehicle Maintenance	514	508	528	506	1,550
Catering	457	455	308	451	1,220
<b>Total</b>	<b>1,691</b>	<b>1,373</b>	<b>1,293</b>	<b>1,550</b>	<b>4,357</b>

#### 4.10 **Council Tax Income - £1.093 million over-recovery**

Council tax income has over recovered against budget and the in year collection level of 96% is consistent with that reported in the previous year. This represents a continued positive level of collection performance in what remains a challenging economic environment for both residents and the Council.

#### 4.11 **Housing Revenue Account (HRA) – Break-even**

The final year end breakeven position is in line with the projection previously reported and reflects the net effect of underspends in administration costs and payments to other bodies which have been used to fund an overspend in

property costs and increased capital contributions as part of the overall housing debt smoothing strategy.

The administration costs underspend is made up of underspends against central support costs and recharges, including telephone costs, postages, advertising and printing.

The underspend on payments to other bodies has mainly arisen due to lower than expected levels of irrecoverable rent due to the delay in the roll out of the Universal Credit live service. Rent loss due to voids was also underspent, reflecting the continuing improvement in the management of void houses.

An increase in repairs costs during the Winter season relating to the significant period of cold weather and heavy snow, coupled with an increase in gas repair costs resulted in an overspend in Property Costs.

The overspend in capital charges relates to the increased capital contributions made as part of the HRA Business Plan Strategy to utilise in year underspends to assist in mitigating the impact of future capital borrowing costs arising from the delivery of investment in housing stock.

Unallocated HRA reserves as at 31st March 2018 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks. The remaining reserve funding ringfenced to mitigate the impact of welfare reform has been used to smooth debt repayments which will allow these support measures to be incorporated into mainline service provision as agreed by Council on 3 March 2018.

## **5. BUDGET PERFORMANCE - CAPITAL**

### **5.1 Non Housing Capital Budget Performance**

Non-Housing capital expenditure totalled £60.033 million during 2017/18. Capital receipts of £1.218 million were generated from asset sales. These receipts along with £6.566 million available within the Useable Capital Receipts Reserve provided total receipts of £7.784 million. From this, £0.167 million was utilised to support current year investment leaving a balance of £7.617 million which has been earmarked to support the ongoing investment programme for future years. The capital investment performance was delivered within the approved prudential expenditure and borrowing limits set by the Council.

### **5.2 Housing Capital Budget Performance**

Housing capital expenditure totalled £10.951 million during 2017/18. Capital receipts of £1.066 million were realised from asset sales during 2017/18. These receipts along with £1.065 million available within the Useable Capital Receipts Reserve provided total receipts of £2.131 million which was utilised to support the current year investment programme.

## **6 PRUDENTIAL FRAMEWORK**

- 6.1 The Prudential Framework approved by the Council is supported by a number of indicators and the Council's performance against these indicators is reported in the Management Commentary in the Accounts. A further report outlining the treasury management activity undertaken in 2017/18 is also on the agenda for this meeting.

## **7. GROUP ACCOUNTS**

- 7.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 – ("the code"), requires local authorities to consider accounting for their interests in all types of entity e.g. Joint Boards & Committees, Leisure Trusts, companies etc. This includes other local authorities or similar bodies as defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Valuation Joint Boards plus all Joint Committees. Under the code authorities are required to prepare a full set of Group Accounts in addition to their own Council's Accounts where they have a material interest in such entities.

- 7.2 To comply with the mandatory requirement for such disclosures we have once again reviewed over the last year a number of organisations with which the Council is involved against the accounting guidelines as detailed in the code. We have concluded that the Council is required to prepare Group Accounts and to consolidate the results of the Council with a share of a number of other entities.

- 7.3 The entities that are deemed to fall within the Council's group boundary are:

Joint Boards encompassing the Strathclyde Concessionary Travel Scheme Joint Committee, Strathclyde Partnership for Transport, the Renfrewshire Valuation Joint Board and the Renfrewshire Integration Joint Board,

Paisley, Renfrew & Johnstone Common Good Funds and other Charitable Trusts administered by the Council,

Renfrewshire Leisure Limited, and

Park Lane Developments (Renfrewshire) LLP.

- 7.4 Both the Council's own Accounts and the Group Accounts need to be submitted together by the 30 June to our auditors to meet the statutory deadline.

## **8. Common Good Funds and Sundry Trust Annual Accounts**

- 8.1 Under accounting requirements introduced in 2010/11, the Council is required to present the annual accounts of both the Common Good Funds and the Charitable Trusts separately from the Council's main accounts. In addition, the



Council is also required to put in place audit arrangements which are separated from the audit of the Council and its own financial statements.

- 8.2 Enclosed therefore for members approval for submission for audit are the annual accounts for both the Common Good Funds and the Charitable Trusts which have been prepared in line the Charities Statement of Recommended Accounting Practice (Charities SORP).

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### **Implications of the Report**

1. **Financial** – the report provides an overview of the Council’s financial performance over the course of 2017/18 and as at 31 March 2018. The annual accounts will be presented for audit with the audit findings being reported to the Audit, Risk and Scrutiny Board on 25 September 2018. The report outlines continued sound budgetary control and management of council expenditure within available resources.
2. **HR & Organisational Development** - none
3. **Community/Council Planning** – the report outlines continued sound financial management which supports the council to deliver on its key community and council plan objectives.
4. **Legal** – subject to approval by Council, the annual accounts will be released to external audit within the statutory timescales.
5. **Property/Assets** - none
6. **Information Technology** - none
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals’ human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council’s website.
8. **Health & Safety** - none
9. **Procurement** – none
10. **Risk** - none.
11. **Privacy Impact** - none
12. **Cosla Policy Position** – none

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**Author:** Alan Russell, Director of Finance

