

## Notice of Special Meeting and Agenda Council

Date	Time	Venue
Thursday, 26 November 2020	09:30	Teams Meeting,

KENNETH GRAHAM  
Head of Corporate Governance

### Membership

Councillor Jennifer Marion Adam-McGregor: Councillor Tom Begg: Councillor Derek Bibby: Councillor Bill Binks: Councillor Bill Brown: Councillor Stephen Burns: Councillor Jacqueline Cameron: Councillor Michelle Campbell: Councillor Carolann Davidson: Councillor Eddie Devine: Councillor Andy Doig: Councillor Audrey Doig: Councillor Natalie Don: Councillor Alison Jean Dowling: Councillor Edward Grady: Councillor Neill Graham: Councillor Jim Harte: Councillor John Hood: Councillor Lisa-Marie Hughes: Councillor Karen Kennedy: Councillor Scott Kerr: Councillor Alistair Mackay: Councillor James MacLaren: Councillor Kenny MacLaren: Councillor Mags MacLaren: Councillor Eileen McCartin: Councillor Colin McCulloch: Councillor Marie McGurk: Councillor John McIntyre: Councillor John McNaughtan: Councillor Kevin Montgomery: Councillor Will Mylet: Councillor Emma Rodden: Councillor Jim Sharkey: Councillor John Shaw: Councillor James Sheridan: Councillor Andy Steel: Councillor Jane Strang:  
Provost Lorraine Cameron (Convener): Councillor Cathy McEwan (Depute Convener): Councillor Iain Nicolson (Leader): Councillor Jim Paterson (Depute Leader)

### Recording of Meeting

This meeting will be recorded for subsequent broadcast via the Council's internet site. If you have any queries regarding this please contact Committee Services on 07534 058160. To find the recording please follow the link which will be attached to this agenda once the meeting has concluded. Please note that only meetings from 17 April 2020 onward have been recorded for broadcast.

### Recording of Teams meeting - Special Meeting of Renfrewshire Council - 26 November 2020

<https://www.youtube.com/watch?v=xynRMbJdxts>

### Apologies

Apologies from members.

## **Declarations of Interest**

Members are asked to declare an interest in any item(s) on the agenda and to provide a brief explanation of the nature of the interest.

## Items of business

- |   |   |                  |
|---|---|------------------|
| 1 | <b>Annual Audit Report from Audit Scotland - 2019/20</b>      | <b>5 - 54</b>    |
|   | <b>Renfrewshire Council Annual Accounts</b>                   |                  |
|   | Report by Director of Finance & Resources                     |                  |
| 2 | <b>Audited Annual Accounts 2019/20 - Renfrewshire Council</b> | <b>55 - 170</b>  |
|   | Report by Director of Finance & Resources                     |                  |
| 3 | <b>Audit Scotland Report - 2019/20 Common Good Funds</b>      | <b>171 - 186</b> |
|   | <b>and Coats Observatory Trust Annual Accounts</b>            |                  |
|   | Report by Director of Finance & Resources                     |                  |
| 4 | <b>Audited Financial Statements 2019/20 – Common Good</b>     | <b>187 - 226</b> |
|   | <b>Funds and Coats Observatory Trust</b>                      |                  |
|   | Report by Director of Finance & Resources                     |                  |
| 5 | <b>Governance Arrangements</b>                                | <b>227 - 232</b> |
|   | Report by Director of Finance & Resources                     |                  |





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**To:** Council

**On:** 26 November 2020

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

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**Heading:** Annual Audit Report from Audit Scotland - 2019/20 Renfrewshire Council Annual Accounts

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**1. Summary**

- 1.1 Each year the Council's appointed external auditors carry out an audit of the Council's financial statements and provide an opinion as to whether those statements provide a fair and true view of the financial position of the Council and its income and expenditure for the year; and also whether they have been prepared in accordance with the Local Government (Scotland) Act 1973.
- 1.2 In accordance with International Auditing Standards, Audit Scotland are obliged to provide an annual report, which highlights matters that have arisen in the course of the audit. The attached Annual Audit Report from Audit Scotland outlines their findings from the audit of the 2019/20 the Renfrewshire Council Group accounts.
- 1.3 In addition, the Council's Chief Financial Officer is obliged to provide a letter of representation to Audit Scotland which outlines the assurances the Council provides to the external auditor with regards the annual accounts. A draft of this letter is attached as an appendix to the Annual Audit Report.
- 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September. For 2019/20, the Coronavirus (Scotland) Act 2020 provided flexibility to this deadline, extending it to 30 November.

- 1.5            Audit Scotland officers will be in attendance at the meeting to respond to any queries that may arise.
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2.            **Recommendations**

- 2.1            The Council is asked to consider the attached Annual Audit Report from Audit Scotland and to approve the letter of representation.
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**Implications of the Report**

1.            **Financial** – The 2019/20 Annual Accounts demonstrate the Council continues to operate services within the resources available, and in line with the relevant legislation. They have been certified as providing a true and fair view of the financial position of the Council and its Group as at 31 March 2020.
  2.            **HR & Organisational Development – none**
  3.            **Community/Council Planning – none**
  4.            **Legal** – An audit opinion free from qualification demonstrates the Council's compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
  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 because it is for noting only. 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**
  13.          **Climate Risk – none**
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**Author:**        Alastair MacArthur, Ext 7363

# Renfrewshire Council

2019/20 Annual Audit Report – Proposed



Prepared for the Members of Renfrewshire Council and the Controller of Audit

26 November 2020

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# Key messages

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## 2019/20 annual accounts

- 1 Our audit opinions on the annual accounts of Renfrewshire Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.
- 2 The financial statements include an explanatory paragraph within Note 34 describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report, our opinion on the financial statements is not qualified in respect of this matter.
- 3 On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. The Council has included an adjustment of £8.118 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.
- 4 The Council submitted its unaudited annual accounts in advance of the statutory deadline and the processes for the preparation of these have significantly improved.
- 5 Covid-19 created additional challenges for both council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

## Financial management

- 6 The Council reported a year-end deficit of £4.333 million for 2019/20, which was £0.538 million higher than the budgeted deficit of £3.795 million. The Council has a track record of delivering savings and has developed a three-year savings plan to support ongoing financial stability.
- 7 The Council's strategic financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities which enables robust financial management to be focussed on the delivery of key outcomes.

## Financial sustainability

- 8 The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to have significant financial impact for the Council.
- 9 Increased levels of demand coupled with increasing costs and reductions in central funding will continue to place a strain on the Council's capacity to deliver services at current levels.

- 10** Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.
- 11** The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging.
- 12** The additional financial challenges as a result of Covid-19 mean the Council will not be able to successfully deliver the required savings in isolation. It will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.

## Governance and transparency

- 13** The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.
- 14** Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.

## Best Value

- 15** The Council has an appropriate and effective best value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.
- 16** The Council actively considers performance against its corporate priorities and objectives and has established a range of improvement activities working in parallel which are clearly linked to key objectives and the budget setting process. However due to the current pandemic there have been delays in elements of performance management reporting with updated information due to be reported later in the year.

# Introduction

1. This report summarises the findings from the 2019/20 audit of Renfrewshire Council and its group (the Council). The scope of the audit was set out in our 2019/20 Annual Audit Plan which was presented to the Audit, Risk and Scrutiny Board meeting on 16 March 2020.

2. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

## Exhibit 1 Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2019/20 have been:

- an audit of the Council and its group 2019/20 annual report and accounts and the statement of accounts of the section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
- a review of the Council's key financial systems
- audit work covering the Council's arrangements for securing Best Value relating to ongoing follow up of the recommendations in the 2016/17 Best Value Assurance Report (BVAR)
- consideration of the four audit dimensions.

4. After the publication of the Annual Audit Plan, in common with all public bodies, the Council has had to respond to the global Covid-19 pandemic. The impact of the global Covid-19 pandemic during the final month of 2019/20 will continue to be felt into financial year 2020/21 and beyond. This has, and will continue to have, significant implications for the provision and costs of services including the suspension of planned projects and activities. Our planned audit work has had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit.

5. Our approach to audit during these circumstances will be pragmatic, flexible and consistent. We issued a paper, [Covid-19 How public audit in Scotland is responding](#), setting out Audit Scotland's strategy and approach to our financial and performance audit programmes. It provided detail about the scope, timing and areas of focus for our audit work.

### **Adding value through the audit**

6. We add value to the council through the audit by:

- having regular dialogue with senior officers as the strategic and operational impact of Covid-19 developed and presenting to Audit, Risk and Scrutiny Board on key challenges in the Covid-19 environment
- sharing learning from our experiences working with other bodies and agreed a clear, no surprises, approach for the remote audit of the 2019/20 accounts within a revised accounts and audit timetable
- reporting our findings and conclusions in public and sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides.

7. In doing so, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

### **Responsibilities and reporting**

8. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

9. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the [Code of Audit Practice 2016](#) and supplementary guidance, and International Standards on Auditing in the UK.

10. As public sector auditors we give independent opinions on the annual accounts. Additionally, we conclude on:

- the appropriateness and effectiveness of the performance management arrangements
- the suitability and effectiveness of corporate governance arrangements
- the financial position and arrangements for securing financial sustainability
- Best Value arrangements.

11. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

**12.** This report raises matters from our audit. Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

**13.** Our annual audit report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

## Auditor Independence

**14.** Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies.

**15.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. The 2019/20 audit fee of £358,030 as set out in our Annual Audit Plan remains unchanged. An additional fee of £7,800, also highlighted within our Annual Audit Plan has been charged for a piece of non-audit work undertaken during 2019/20. We are not aware of any relationships that could compromise our objectivity and independence.

**16.** This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

**17.** We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit. This is especially appreciated during the particularly challenging circumstances arising due to the Covid-19 pandemic.

# Part 1

## Audit of 2019/20 annual accounts



### Main judgements

Our audit opinions on the annual accounts of Renfrewshire Council, its group and the section 106 charities administered by the Council are unqualified and report that the accounts present a true and fair view of the financial position of the Council.

The financial statements include an explanatory paragraph within Note 34 describing the effect of material uncertainties, caused by Covid-19, as declared in the valuation reports for property valuations. This is a significant management disclosure in the financial statements that impacts on the users understanding of the accounts. We have included an Emphasis of Matter referring to this paragraph in our independent auditor's report on the financial statements. Although the Emphasis of Matter paragraph constitutes a modification to our independent auditor's report our opinion on the financial statements is not qualified in respect of this matter.

On 16 July 2020, the UK Government released a consultation document on the remedy to the issues identified by the McCloud case. The Council has included an adjustment of £8.118 million in the audited accounts, which reflects a more accurate assessment of the pension liabilities, in line with the proposed remedy.

The Council submitted its unaudited annual accounts in advance of the statutory deadline and the processes for the preparation of these have significantly improved.

Covid-19 created additional challenges for both Council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines.

The annual accounts are the principal means of accounting for the stewardship of resources and performance.

### Our audit opinions on the annual accounts are unmodified

**18.** The annual accounts for Renfrewshire Council and its group for the year ended 31 March 2020 were approved by the Council on 26 November 2020. As reported in the independent auditor's report;

- the financial statements give a true and fair view of the financial position of the Council and were properly prepared in accordance with the financial reporting framework
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

## **The Council highlighted an uncertainty in property valuations due to Covid-19**

**19.** The 'Emphasis of Matter' section in our Independent Auditor's Report refers to the disclosures in note 34 of the financial statements, which identifies a material valuation uncertainty in respect of property valuations caused by the Covid-19 pandemic. Emphasis of Matter paragraphs are added to auditors' reports where the auditor considers it necessary to draw user's attention to matters which are fundamental to the understanding of the financial statements. Further information is contained in [Exhibit 3](#) below. The audit opinion is not modified in respect of this matter.

## **The annual accounts were signed off in line with the revised statutory deadlines**

**20.** The Scottish Government has advised that it considers the provisions made in Schedule 6 of the Coronavirus (Scotland) Act 2020 to be sufficient to allow each local authority to determine its own revised timetable for the Annual Accounts. The Council did not need to use the powers in the 2020 Act to postpone the publication of the unaudited accounts, and these were submitted to us for audit on 25 June 2020 in line with the original timetable.

**21.** Remote working brought additional challenges to the audit process. This affected how we were able to work as an audit team and with council staff. Our planned audit work had to adapt to new emerging risks as they relate to the audit of the financial statements and the wider dimensions of audit. New ways of working and communicating with each other had to be implemented in order to deliver an efficient and effective audit that met our quality standards. Despite these challenges we were able to deliver the audit in line with the revised statutory deadline.

## **The Council's processes for preparation of the annual accounts have significantly improved**

**22.** We issued a modified opinion on Renfrewshire Council's 2018/19 accounts due to issues relating to the closure of the financial ledger and the delayed sign-off of the audited accounts which resulted in the statutory deadline being missed. As a consequence, a Section 102 report was prepared for the Accounts Commission.

**23.** Management have responded positively to these challenges, implementing a new accounts preparation process and revised timetable. As a result, the 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. The quality of the working papers improved significantly despite the additional challenge of the Covid-19 lockdown being implemented at a key time in the preparation process.

**24.** Although our audit opinion is modified this year in relation to the Emphasis of Matter paragraph, it is due to circumstances beyond the Council's control and not a reflection on the quality of the financial statements or supporting processes. Indeed, the reduced number of significant findings and audit adjustments reflect the improved quality of the 2019/20 accounts.

## **Our audit opinions on Section 106 charities were unmodified**

**25.** Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of Renfrewshire Council are sole trustees, irrespective of the size of the charity.

**26.** There is one trust fund, Coats' Observatory Trust which was set up "for the upkeep of Coats Observatory equipment". This purpose was relevant while there were cash funds available; however, these funds have been exhausted, and only



the property assets remain. Given there are no cash funds remaining, nor are any anticipated, the Council will explore with OSCR the future of the charity, always considering the ongoing sustainability of the Observatory and ensuring appropriate governance arrangements remain in place.

**27.** The Common Good Funds continue to make grants available to local organisations through grant making process and will continue to fund recurring commitments. The Council will continue to review the funding provided by the Common Good Funds to ensure it remains appropriate and in line with the objectives of the Funds and to the benefit of the inhabitants of the relevant Burghs.

**28.** We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in the independent auditor's reports that:

- the financial statements give a true and fair view the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

**29.** These were considered by the Audit, Risk and Scrutiny Board on 23 November, approved by the Council on 26 November and signed by the statutory deadline of 30 November.

### **No objections were received on the annual accounts**

**30.** The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2019/20 accounts.

### **Whole of Government Accounts**

**31.** In accordance with the WGA guidance we intend to complete the required assurance statement and submit it to the National Audit Office by the extended deadline of 4 December 2020.

### **Overall materiality is £6.7 million**

**32.** The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement in the annual accounts. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.

**33.** Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in [Exhibit 2](#). With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

**34.** On receipt of the unaudited annual accounts we reviewed our materiality and concluded that no changes were required to our planned levels.



## Exhibit 2

### Materiality values

Materiality level	Amount
Overall materiality	£6.700 million
Performance materiality	£3.350 million
Reporting threshold	£0.168 million

Source: Audit Scotland, Annual Audit Plan 2019/20

## Appendix 2 identifies the main risks of material misstatement and our audit work to address these

35. [Appendix 2](#) provides our assessment of risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

## Significant findings from our audit of the financial statements

36. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices. The significant findings are summarised in [Exhibit 3](#).

## Exhibit 3

### Significant findings from the audit of the financial statements

Issue	Resolution
<p><b>1. Property valuations and Covid-19 uncertainty</b></p> <p>The Balance Sheet includes property, plant and equipment with a total value of £1,471 million. The council has a five-year rolling valuation programme as detailed in Note 35. The asset valuer has included a material uncertainty disclosure within the valuation report, which covers specific asset categories, in accordance with the rolling programme and was conducted as at 31 March 2020. We believe that, due to the impact of Covid-19 from mid-March 2020, there is a wider material uncertainty within the property valuation provided.</p>	<p>Property assets are material and the impact of Covid-19 has increased the uncertainty over associated valuations. The conclusion of the valuer on the rolling programme of valuation work have contributed to the view that less certainty can be attached to the valuation than would otherwise be the case.</p> <p><b>Conclusion:</b> The accounts disclose this increased uncertainty at Note 34 - Judgements in Applying Accounting Policies and we have included an 'emphasis of matter' paragraph in our independent auditors' report to draw attention to the matter.</p>
<p><b>2. Pension valuations – McCloud liability revision</b></p> <p>In January 2017 an employment tribunal ruled that a group of claimant judges had been subject to age discrimination when they were transferred to a new career average scheme, known widely as the McCloud case.</p>	<p>The Council requested a revised valuation report from the actuary taking into account this remedy.</p> <p>The amendments resulted in a decrease of £8.118 million for the pension liability in the accounts.</p> <p><b>Conclusion:</b> The accounts now include the revised estimate for "McCloud".</p>

Issue	Resolution
<p>On 16 July 2020, the UK Government released a consultation document on the remedy to the issues. This identified a proposed treatment for pension members affected.</p> <p>Following this Hymans Robertson (actuary) contacted the Council to advise them that the proposed remedy indicated that the estimated liability included in the IAS19 report for 2019/20 should be reduced as the basis for determining who the remedy applied to was more onerous than the actuary's previous estimate.</p>	
<p><b>3. Council Dwellings Audit Adjustment</b></p> <p>Renfrewshire Council owns a number of council dwellings which are valued for inclusion in the annual accounts based on a number of factors, including the average weekly rent charge.</p> <p>Our audit work noted that management had used the incorrect average weekly charge when valuing the council dwellings. Updating for the correct figure resulted in an increase of £13.960 million in the value of council dwellings, with a corresponding increase in the revaluation reserve.</p> <p>Overall, this increased the value of council dwellings from £568.863 million to £582.823 million.</p>	<p><b>Conclusion:</b> Management corrected for this in the audited annual accounts.</p>
Source: Audit Scotland	

## Other findings

**37.** Alongside four other local authorities, Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Facility in Bargeddie, opening in January 2020. Renfrewshire Council accounted for its share of the running costs in the 2019/20 unaudited accounts, however its share of the assets and liabilities associated with the facility were excluded on the basis that no mutually approved accounting treatment was in place between the constituent authorities at 31 March 2020.

**38.** To correct for this an audit adjustment valued at £5.372 million was processed, increasing both Property, Plant and Equipment and Creditors accounts areas, treating Renfrewshire Council's share as a finance lease. Management confirmed that there are on-going discussions with partners and financial advisors over the financial model to be applied, and that it is possible that their assessment may change in future periods. We are satisfied that the accounting treating applied in 2019/20 is a materially accurate estimate.



### Recommendation 1

**Management should prioritise reaching an agreement over the accounting treatment for Clyde Valley Waste Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.**

**39.** Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts. This is normal audit practice and none of the presentational changes have any impact on the council's outturn for the year.

### **Good progress was made on prior year recommendations**

**40.** The council has made good progress in implementing our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).



# Part 2

## Financial management



### Main judgements

The Council reported a year-end deficit of £4.333 million for 2019/20, which was £0.538 million higher than the budgeted deficit of £3.795 million. The Council has a track record of delivering savings and has developed a three-year savings plan to support ongoing financial stability.

The Council's strategic financial management is effective with strong budgeting, financial monitoring and reporting processes that are aligned to its corporate priorities which enables robust financial management to be focussed on the delivery of key outcomes.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

### Financial Performance in 2019/20

**41.** The Council approved its 2019/20 budget in February 2019. Budgeted net expenditure was £402.816 million and estimated total income was £408.648 million, resulting in a projected budget surplus of £5.832 million. Decisions made by the Council at the budget approval meeting to commit this surplus to a number of different projects and changes during the year resulted in the amended projected year end position for 2019/20 being a projected deficit of £3.795 million.

**42.** The budget was aligned to the Council's strategic priorities. To inform the budget each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these support the delivery of the Council Plan.

**43.** The Council has a good track record in delivering services within budget. The Council reported a deficit of £4.333 million in 2019/20 against the budgeted deficit of £3.795 million, an overspend of £0.538 million.

**44.** At a service level, the overspend was the result of exit costs associated with the Council's transformation programme (Right for Renfrewshire) and increases in bad debt provisions in response to Covid-19, which were partly offset by better than anticipated council tax recovery.

**45.** The financial impact of Covid-19 was limited in the 2019/20 financial year as this ended on 31 March 2020, only a few weeks after the pandemic began to impact Scotland.

### Housing revenue account operated within budget

**46.** The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. The HRA recorded expenditure in 2019/20 of £57.635 million (2018/19: £55.513 million). Overall, the HRA recorded a breakeven position

in 2019/20 against budget for the year and maintains a positive balance of £6.807 million.

### The level of reserves has remained stable

**47.** One of the key measures of the financial health of a local authority is the level of reserves held. The Council has increased its useable reserves steadily since 2013/14 and has historically had a high level of reserves in comparison to many other councils in Scotland. The majority of reserves are statutory or ring-fenced and aligned to future spending plans and strategic objectives.

**48.** The overall level of usable reserves held by the Council increased by £5.015 million from £154.606 million in 2018/19 to £159.621 million in 2019/20. A table showing all reserves movements is included in Exhibit 4.

### Exhibit 4 Movements in useable reserves in 2019/20

	Opening £m	Used £m	Added £m	Closing £m
General Fund (Unallocated)	7.137	0.538	-	6.559
General Fund (Ring-fenced)	52.007	10.504	6.709	48.212
Housing Revenue Account	6.807	-	-	6.807
Revenue Statutory Funds	2.858	-	-	2.858
Capital Receipt Reserve	8.017	0.704	2.140	9.453
Capital Statutory Funds	77.780	1.278	9.190	85.692
<b>Total</b>	<b>154.606</b>	<b>13.024</b>	<b>18.039</b>	<b>159.621</b>

Source: Audited Accounts 2019/20

**49.** Other than the Capital Statutory Funds, which is being maintained for future capital investment and future loan payments, the general fund reserve is the largest reserve, with a balance of £54.811 million. Although the general fund reserve has no restrictions on its use, £48.212 million has been ring-fenced for future expenditure plans.

**50.** The Council reviews the level of its unallocated reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be between 1% and 2% of net revenue and not be lower than £7 million. The level of uncommitted general fund reserves as at 31 March 2020 was £6.599 million (1.6 % of net expenditure), slightly below the approved £7 million base line figure.

### Capital programme 2019/20

**51.** Plans for capital expenditure are approved by the Council as part of the budget setting process each year. In February 2019, the Council approved a capital budget of £92 million for 2019/20 (including £26 million of spend on housing related projects). A further £8 million of capital spend was approved in-year. A table setting out capital budget and spend is included in Exhibit 5.

## Exhibit 5

### Analysis of capital spend in 2017/18 to 2019/20

Year	Approved Capital Spend* (£ millions)	Capital Spend Relating to Plans Approved in Prior Years (£ millions)	Capital Spend Relating to Current Year Plan (£ millions)	Total in Year Capital Spend (£ millions)
2017/18	£104.4	£19.2	£48.2	£67.5
2018/19	£88.0	£21.5	£43.2	£64.7
2019/20	£99.9	£7.8	£77.6	£85.3

\*Includes spend approved by committee during the year

**52.** Capital expenditure in 2019/20 was primarily funded through borrowing (£45 million) and capital grants (£36 million) with the remainder being funded from revenue and asset sales.

**53.** As noted in our 2018/19 annual audit report the Council has a history of rescheduling its capital programme. There has been a significant improvement in 2019/20, achieving a higher level of planned spend than in previous years. Rescheduling to future years in 2019/20 totalled £26.1 million (2018/19: £42.9 million), with approximately £9.8 million of this related to City Deal projects and Paisley Town Hall. This was offset by accelerated progress on housing improvement projects.

### Capital plans need to be reviewed due to the impact of Covid-19

**54.** The Council approves a rolling capital plan as part of the annual budget setting process, looking forward 5 years for non-housing capital spend, and 3 years for housing spend. In March 2020 a programme totalling £477.6 million was approved for the period 2020/21 to 2024/25, with £127.4 million of spend planned in 2020/21.

**55.** Due to the Covid-19 lockdown, work on capital projects was halted for a short time, before recommencing in line with national guidelines. In September 2020, the Council reported that £44.3 million of the planned 2020/21 spend had been deferred to 2021/22, relating to City Deal, Paisley Town Centre and new council housing projects. There remains uncertainty over the impact of the new working arrangements on the delivery of capital projects in terms of timing and cost.

**56.** As a result of this uncertainty and the challenges the pandemic poses to the council's finances as a whole, the Council intends to undertake a full review of the existing capital programme. This review will consider both rescheduling and/or holding projects in reserve until there is greater financial certainty and it is intended this will be presented to the Council in December 2020.

### Financial systems of internal control operated effectively

**57.** As part of our audit we identify and assess the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the body has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

**58.** As part of our audit work we reviewed and assessed the new processes and related controls in the following systems.

- General Ledger
- Payroll
- Accounts Receivables
- Accounts Payable
- Bank and Treasury Management
- Capital
- Housing Revenue Account
- Non-Domestic Rates
- Council Tax

**59.** Our work highlighted that the controls in place to carry out quality checks on awarded NDR and Council Tax reliefs did not take place for a number of months at the outset of 2019/20 due to other on-going work. The same checks were also not carried out from late March 2020 through to late June 2020 due to the Covid-19 lockdown. The lack of this quality check process increased the risk of reliefs being awarded inappropriately.

**60.** As a result, we carried out additional substantive testing over NDR and Council Tax reliefs, however no issues were highlighted from the sample of reliefs that we tested.



### Recommendation 2

**The Council should review its systems of internal control to ensure these are operating as intended despite the changes to council working arrangements resulting from the Covid-19 pandemic.**

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**61.** To ensure the accuracy of land and property valuations within the annual accounts management obtain expert advice from appropriately qualified staff within the Council's property services department. While we noted no issues with the advice provided, we recommend that management formalise the internal process for the request and provision of land and property valuations.



### Recommendation 3

**The Council should formalise the internal process for the request and provision of land and property valuations.**

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## Good progress has been made on addressing the agreed actions from our 2018/19 management report

**62.** Our 2018/19 management report included a detailed review of key systems following the implementation of the Council's enterprise resource planning system, Business World and highlighted areas for continued improvement. We followed these recommendations up as part of our 2019/20 audit.

**63.** Good progress has been made against the recommendations within our 2018/19 Management Report. A number of these recommendations were updated



and reflected within our 2018/19 Annual Audit Report and are summarised in Appendix 1.

**Standards of conduct for the prevention and detection of fraud and error and progress on the National Fraud Initiative were satisfactory**

**64.** The Council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

**65.** The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

**66.** The most recent NFI review relates to data from 2018/19. The NFI secure website lists a total of 6,419 data matches relating to Renfrewshire Council from this review, with 602 of these classed as 'recommended' matches for investigation. The 2018/19 NFI work is almost complete, with of 6,413 matches having been processed.



# Part 3

## Financial sustainability



### Main judgements

The Council and its wider group financial position is sustainable into the foreseeable future, although Covid-19 is expected to have significant financial impact for the Council.

Increased levels of demand coupled with increasing costs and reductions in central funding will continue to place a strain on the Council's capacity to deliver services at current levels.

Medium-term financial plans are aligned to the Council's corporate priorities and clearly demonstrate how the organisation intends to address future financial challenges with the Council undertaking robust financial modelling.

The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging.

The additional financial challenges as a result of Covid-19 mean the Council will not be able to successfully deliver the required savings in isolation. It will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered.

### The financial impact of the COVID-19 pandemic will be significant

**67.** The Council approved its 2020/21 budget in early March 2020, prior to the impact of the Covid-19 pandemic. Following the impact of decisions at the Council meeting, net expenditure was expected to be £435.744 million and a breakeven position was forecast.

**68.** The Covid-19 pandemic has had a significant impact on the finances of the Council. Members have been provided with regular updates on the projected impact, initially via the Emergencies Board and most recently through an updated Financial Outlook Report in October 2020 as shown in Exhibit 6.

**69.** The Council expects additional pressure on its general fund budget in 2020/21, in the region of £20– £22 million, which is due to loss of income (council tax, service use), increased expenditure (direct Covid-19 expenditure and other support services) and disruption to the Right for Renfrewshire transformation plan. The Council expects additional funding of £14 million to £16 million from the Scottish Government based on national funding announcements, £9.6 million has been fully confirmed to date.

**70.** As a result of the Covid-19 pandemic, the Council forecasts a deficit of £4 - £8 million for 2020/21. This will potentially exhaust the Council's unallocated reserves

**Financial sustainability looks forward to the medium and longer term to consider whether the Council is planning effectively to continue to deliver its services or the way in which they should be delivered**

(currently £6.599 million), which are held for unexpected financial pressures like the current pandemic.

## Exhibit 6

### Impact of Covid-19 on the 2020/21 budget

		(£ millions)
<i>Original forecast in budget set pre-Covid-19</i>	Income	£435.744
	Expenditure	(£435.744)
	<b>Net Result</b>	<b>£0</b>
<i>Revised forecast per Financial Outlook Report in September 2020</i>	Additional pressures due to Covid-19*	(£21.000)
	Additional Government funding*	£15.000
	<b>Deficit*</b>	<b>(£6.000)</b>

\*mid-point of council estimate

Source: Council Financial Reports

### Medium term financial plans are in place but will have to be updated for the impact of Covid-19

**71.** It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although Councillors only approve the budget for a single year, this should be supported by indicative future spending plans that forecast the impact of relevant pressures on the Council.

**72.** Prior to the Covid-19 pandemic, the Council highlighted that financial challenges were expected in the following two financial years (2021/22 – 2022/23), with a projected deficit of up to £25 million due to a combination of expected grant reduction, pay pressures and increased service demand. In response to this, the Council is implementing a transformation programme ("Right for Renfrewshire") which is aiming to deliver recurring savings in the period to 2022/23.

**73.** The medium-term financial plan was aligned to the Council's corporate priorities and clearly demonstrates how the organisation intends to address future financial challenges. The Council undertakes robust financial modelling based around the three scenarios of "best case", "worst case" and "most likely" outcome.

**74.** The Covid-19 pandemic has added significant pressure to the existing medium-term financial challenge in a number of ways:

- savings planned to be delivered by the Right for Renfrewshire programme in 2020/21 were postponed, putting additional pressure on plans for years 2 and 3 of the programme. Delivering these will remain challenging during the pandemic.
- as the financial impact of the pandemic seems likely to continue in 2021/22, the Council plans to replenish unallocated reserves and increase the overall balance to £10 million (approximately 2.3% of net expenditure). While this is a prudent decision, it will further increase the financial pressures already outlined above.
- the continued uncertainty around the future financial impact of the pandemic on the Council in terms of its income and expenditure, and grant funding.

**75.** Due to the additional challenges presented by the Covid-19 pandemic and the medium to longer term impact this may have on planned public sector spending across the UK and Scotland, the Council's existing financial outlook plan is subject to significantly greater uncertainty. The central planning scenario supporting the Council's medium-term financial planning is at increased risk of not accurately predicting the Council's future financial outlook.

**76.** The Council has agreed a number of changes to its financial strategy to provide increased short to medium term financial flexibility to mitigate the risk arising from this increased uncertainty. It is important that the Council continues to update its medium-term financial plan as soon as more clarity on the financial impact of Covid-19 is obtained.



#### **Recommendation 4**

**The Council should continue to update its medium-term financial plan as soon as more clarity on the financial impact of Covid-19 is obtained.**

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**77.** The scale of the financial challenge is such that the Council will not be able to successfully deliver the required savings in isolation and it will need to actively engage with local and national partners to identify areas, and initiate action, to deliver the required level of efficiencies and savings. Success in this area will inevitably require difficult decisions on the part of Elected Members.

**The Council's transformation programme has been significantly disrupted by Covid-19 which will make achieving planned savings more challenging**

**78.** Renfrewshire Council has recognised longer term financial challenges for a number of years and has had a series of programmes in place to respond to these. The third phase, known as the Better Council Change Programme, has been updated by phase 4, branded 'Right for Renfrewshire'.

**79.** Right for Renfrewshire will take the form of a series of service redesigns aiming to achieve a range of attributes identified by the Council. These attributes include taking advantage of digital opportunities, focusing on the Council's core purpose, increasing the adaptability of Council resources and improving how the Council works with partners.

**80.** As decided at the Leadership Board in February 2020, the services initially impacted by the first tranche of service redesigns are Customer & Transaction Services, Placeshaping, Community Development, Community Protection, Facilities Management and Prevention and Early Intervention areas.

**81.** The first tranche of service redesigns is expected to result in a net reduction of 130 full time equivalent posts, predominantly facilitated through voluntary early redundancy (VER). The Council began consulting with its workforce to identify employees with an interest in taking VER in late 2019.

**82.** Right for Renfrewshire aims to provide savings of £25 million over the period 2020/21 to 2022/23, with £2.6 million of savings originally scheduled for the 2020/21 budget.

**83.** As noted previously the Covid-19 pandemic has significantly disrupted the Right for Renfrewshire programme, which was put on hold and is currently being remobilised. As a result, expected savings in 2020/21 are less than planned, adding to the savings requirement in future years. There is a risk that savings plans will no longer be fully deliverable due to the additional resource pressures arising from Covid-19.

## City Deals

**84.** The £1.13 billion Glasgow City Region City Deal is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire Council is the lead authority on two City Deal infrastructure projects with funding of £134 million.

- **The Glasgow Airport Investment Area Project (GAIA - £42.8 million)** is delivering the enabling infrastructure and connections into Netherton Campus, a 52-hectare Renfrewshire Council-owned site next to Glasgow Airport. The project includes new roads, bridges, cycleways and footpaths which will connect into the Advanced Manufacturing Innovation District Scotland (AMIDS) and improve access to existing businesses including the nearby Westway Business Park. Work on this project was paused during the Covid-19 lockdown, recommencing in the summer with capital expenditure of £21.931 million to 31 March 2020.
- **The Clyde Waterfront and Renfrew Riverside Project (CWRR - £90.7 million)** includes the construction of a new opening bridge across the River Clyde, which will accommodate vehicles, pedestrians and cyclists, and the construction of the Renfrew North Development Road to better link communities and businesses on both sides of the river, improving access to work, education, hospitals and leisure through improved infrastructure. In April 2020, Compulsory Purchase Orders for land required for the project were confirmed by Scottish Ministers. Capital expenditure to 31 March 2020 was £15.116 million.

# Part 4

## Governance and transparency



### Main Judgements

**The Council has appropriate governance arrangements in place. We recognise that in responding to the Covid-19 pandemic the Council revised its governance arrangements. The new arrangements are appropriate and support good governance and accountability.**

**Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.**

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

### Governance and transparency arrangements are appropriate

**85.** Renfrewshire Council has a board structure in place which is underpinned by clear roles for members and officers; and procedural documentation regarding decision making. Business is conducted through the Council meeting, the Leadership Board and a number of other policy boards as well as the Audit, Risk and Scrutiny Board. The Council's decision and delegation arrangements are regularly reviewed to ensure they support its key priorities.

**86.** All boards have members from the different political parties. The administration has a majority membership in each of the four policy boards with the remaining membership being from the opposition groups and parties. The conveners of policy boards are members of the administration. The Convener of the Audit, Risk and Scrutiny Board is an opposition member.

**87.** Papers provided by Council officers to the Council and its Boards are of a high standard and provide members with a good overview of the issues being covered as well as additional information, where appropriate. This supports constructive debate of issues at meetings.

**88.** A recommendation from the BVAR was that Councillors should improve cross-party working, given the financial challenges that exist and the important decisions that will need to be made in the future. The Council established the Cross-Party Sounding Board in May 2017. In June 2019, a climate emergency was declared by the Council with members from the Cross-Party Sounding Board establishing a Climate Emergency Working Group.

**89.** Governance arrangements within the Council are operating effectively and support good governance and accountability.

## The COVID-19 pandemic had a significant impact on governance arrangements from March 2020

**90.** The impact of COVID-19 from March 2020 has been set out in the Annual Governance Statement in the Council's annual accounts. These were significant and allowed the Council to manage the unprecedented nature and scale of the threat to its communities and staff. We note that the following steps were taken to allow the Council staff to prioritise their response to the outbreak.

**91.** On 20 March 2020, in response to the pandemic, the Council convened the Emergencies Board. This board was originally made up of a cross-party group of 5 councillors which was later expanded to 15 members. The Council's normal committee structure was suspended with the Chief Executive being granted temporary delegated authority for critical decisions that would normally require committee approval.

**92.** Council services have been significantly affected and large sections of the workforce were asked to work from home where possible. Restricted services operated in areas such as schools, childcare, housing repairs and roads maintenance. Alternative arrangements were put in place to support those children in receipt of free school meals.

**93.** On 25 June 2020 the Council met remotely for the first time. At this meeting members were presented with a summary list of the decision taken by the Chief Executive under delegated authority while the committees were suspended. They also approved a temporary change to the standing orders to permit future Council and committee meetings to meet remotely.

**94.** Covid-19 has exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. We recognise that audit committees have a crucial role to play in providing effective scrutiny and challenge as they help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements.

**95.** As public bodies manage their business during this global pandemic, the role of audit committees becomes even more important. We recently issued a [Guide for audit and risk committees](#) which draws on our recent experience of auditing public bodies during this pandemic.

**96.** The revised governance arrangements in place within the Council are practical in the circumstances and effective in supporting good governance and accountability.

## Openness and transparency

**97.** There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. There are increasing public expectations for more openness and transparency as citizens want to understand how public money is used and, to support their participation in local service design and delivery.

**98.** A transparent organisation shows the basis for its decisions and shares information about performance and outcomes, including when targets have and have not been achieved as well as how it is using its resources such as money, people and assets.

**99.** There is evidence from several sources which demonstrate the Council's commitment to transparency. Members of the public can attend meetings of the full Council and other boards. Minutes of these committee meetings and supporting papers are available on the Council's website. Most items on committee agendas are covered in open session at meetings rather than in private.



**100.** The Council webcasts its main Council meetings and all agenda papers and minutes, including the annual accounts are on the Council's website and made available in the public gallery and its reception.

**101.** The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. In addition, the website is encouraging the public to sign up for e-alerts. The service became available from 1 August 2018 and allows the public sign-up to news they want to receive on the website and get it delivered straight to their inbox. Initially this will cover information on Council news, What's On, Business news, Paisley town centre updates and updates for parents on schools and nurseries.

**102.** The management commentary that accompanies the financial statements clearly explains to readers how the council has performed against its revenue and capital budgets and how this is reconciled to the financial statements.

**103.** The Council conducts its business in an open and transparent manner.

### Training and development for Councillors

**104.** In our 2016/17 BVAR we noted that while the Council has provided training, historically Councillors have not made the most of the training and development opportunities available to them. Officers continue to make changes to the training and development programme, including the use of external speakers, offering twilight sessions and delivering focused weeks of training and development once a year.

**105.** In our previous reports we recommended that members continue to attend training that is relevant to their role within the Council and it would be beneficial for all Councillors to have a personal development plan (PDP) in place which is reviewed on an annual basis.

**106.** Elected members are reminded regularly of the support available to develop their own PDPs. The Improvement Service recognises that not all elected members will make use of the learning opportunities offered regardless of the support available and will choose to access learning at their own pace.

**107.** To make it easier for elected members to access continuing professional development (CPD) training resources at a time and place of their choosing, the full range of Improvement Service workbooks are now available in the online Members' Library.

**108.** The recommendation within our earlier reports remains more relevant than ever as officers and elected members adapt to the additional financial and governance challenges resulting from COVID-19. Officers and elected members should work together to ensure the training provided reflects new ways of working, is flexible and can adapt to provide the necessary resources and support for elected members to access and complete training.



# Part 5

## Best Value



### Main judgements

The Council has an appropriate and effective best value framework in place. The Council continues to make positive progress addressing the recommendations contained in our 2016/17 Best Value Assurance Report.

The Council actively considers performance against its corporate priorities and objectives and has established a range of improvement activities working in parallel which are clearly linked to key objectives and the budget setting process. However due to the current pandemic there have been delays in elements of performance management reporting with updated information is due to be reported later in the year.

Best Value is concerned with using resources effectively and continually improving services.

### The Council is making good progress in securing Best Value

**109.** Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this period. The BVAR report for the council was published in August 2017.

**110.** The BVAR concluded that the Council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. This vision is supported by the Council's partners and the Council Plan; management structures and performance management processes are also well aligned to the vision.

**111.** We also highlighted key areas where the Council should focus its improvement activities on going forward. The report made seven recommendations relating to areas for further development including cross party working, community engagement, partnership working, financial sustainability, workforce planning and governance arrangements.

**112.** The latest update on progress against the recommendations was reported to the Leadership Board in December 2019. Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on an annual basis, with the next update scheduled for December 2020.

**113.** The Council continues to make positive progress in implementing the recommendations from the 2016/17 Best Value and Assurance Report. We will continue to monitor the Council's progress against the improvement actions.

### Performance management arrangements provide a sound base for improvement

**114.** The Council reports their progress against the Council Plan to the Leadership Board every six months.

**115.** There are Service Improvement Plans (SIPs) for all key service areas. They contain detailed action plans which link to the priorities in the Council Plan. They are also closely linked to other relevant plans, including Renfrewshire's Community Plan and Local Outcome Improvement Plan. Progress against SIP indicators is reported to relevant policy boards every six months. These are the forums where Councillors can challenge how services are performing.

**116.** Performance information is also accessible through the Council's "Our Current Performance" webpage. This includes performance progress updates on the SIPs and the Council Plan. The webpage also links to the Council's annual report. It's all about you. This reports performance against indicators that the public have told the Council they are most interested in. The presentation of the report has been refreshed to take account of public requests to have a more accessible and easier to read format. The Council reports performance against the full set of 70 indicators in the Local Government Benchmarking Framework to the Audit, Risk and Scrutiny Board.

**117.** The Council has launched a new digital news service which provides a variety of updates covering all of council services, schools and nurseries, what's on in the area, the town centre investment and news for businesses. The digital news service is being rolled out by Renfrewshire Council for residents and businesses.

**118.** The Council has an established performance management framework that managers and Councillors clearly understand, which provides a sound base for ongoing and continuous improvement, however due to the current pandemic there have been delays in reporting performance management with updated information is due to be reported later in the year.

## National performance audit reports

**119.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2019/20, Audit Scotland published a number of reports were issued which may be of interest to the body. These are outlined in [Appendix 3](#).

**120.** Arrangements are in place for the Council to consider national reports. These are presented to the Audit, Risk and Scrutiny Board and members are made aware of key issues. The Council routinely reports the Council's position in respect of the key issues reported. Action taken in response to reports is dependent on the nature of the national report and the service to which it relates.

# Appendix 1

## Action plan 2019/20

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>Accounting for Clyde Valley Waste Facility</b></p> <p>Alongside four other local authorities, Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Facility.</p> <p>An interim model has been applied in 2019/20 as the accounting treatment has not yet been agreed between partners</p> <p><b>Risk</b></p> <p>There is a risk that there is an inconsistent accounting treatment between different local authorities.</p>	<p>Management should prioritise reaching an agreement over the accounting treatment for Clyde Valley Waste Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.</p> <p><a href="#">Paragraph 37</a></p>	<p>Discussions with partner authorities will be pursued with a view to reaching a consistent accounting treatment using the finalised financial model commissioned by the lead authority.</p> <p>Responsible officer: Head of Finance</p> <p>Agreed date: 31 March 2021</p>
2	<p><b>Review of Controls Environment</b></p> <p>Our work highlighted that the controls in place to carry out quality checks on awarded NDR and Council Tax reliefs did not take place for a number of months at the outset of 2019/20 due to other on-going work. The same checks were also not carried out from late March 2020 to late June 2020 due to the Covid-19 lockdown.</p> <p><b>Risk</b></p> <p>There is a risk that controls in other areas have been disrupted by the change in working arrangements as a result of Covid-19.</p>	<p>The Council should review its systems of internal control to ensure these are operating as intended despite the changes to council working arrangements resulting from the Covid-19 pandemic.</p> <p><a href="#">Paragraph 59</a></p>	<p>The Chief Auditor has engaged with the Corporate Management team about reviewing the internal control environment and proposed amendments to the Audit Plan for 20/21 will be submitted for approval to the Audit, Risk and Scrutiny Board in November.</p> <p>Responsible officer: Chief Auditor</p> <p>Agreed date: 31 March 2021</p>
3	<p><b>Improvement of Valuation Process</b></p> <p>To ensure the accuracy of land and property valuations within the annual accounts management</p>	<p>Management should improve the internal process for the request and provision of land and property valuations to include a formal engagement letter specifying the nature of</p>	<p>Management will work towards the establishment of a formal process.</p> <p>Responsible officer: Director of Finance and Resources</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	<p>obtain expert advice from appropriately qualified staff within the council's property services department.</p> <p><b>Risk</b></p> <p>While we noted no issues with the advice provided, the process should be formalised.</p> <p><b>Risk:</b></p> <p>Valuation work provided by the valuer will not fully meet the annual accounts requirements.</p>	<p>the work to be carried out, including the valuation methods for each class of asset.</p> <p><a href="#">Paragraph 61</a></p>	<p>Agreed date: 31 March 2021</p>
4	<p><b>Financial Sustainability</b></p> <p>The Covid-19 pandemic has introduced further financial challenges, with a projected deficit of up to £25 million.</p> <p><b>Risk –</b></p> <p>The Council may not be able to deal with future financial challenges and deliver required savings without adversely impacting service delivery.</p>	<p>1. Continue to update the MTFP as more clarity on the financial impact of Covid-19 obtained.</p> <p>2. Work with key partners to identify opportunities to deliver service transformation.</p> <p><a href="#">Paragraph 74</a></p>	<p>An updated Financial Outlook report covering the period 2021 to 2023 was presented to the Council on 24 September 2020. This outlined the scale of the financial challenge and the potential impact of COVID-19. The Corporate Management Team will continue to seek ways of transforming services with a view to mitigating the potential deficit.</p> <p>Responsible officer: Director of Finance &amp; Resources</p> <p>Agreed date: Ongoing (31 March 2023)</p>

### Follow up of prior year recommendations

5	<p><b>Preparation of Annual Accounts</b></p> <p>Balances within the financial ledger in respect of trade receivables and trade payables were not properly reflected within the accounts presented for audit. Journals continued to be posted to the ledger after the accounts had been provided to audit at the end of June 2019 and working papers included a number of complex balances resulting from the change in accounting system.</p> <p><b>Risk –</b></p>	<p>We recommend that the Council's review of the audit findings highlighted within our management report inform the future close-down procedures for the preparation of the year end accounts.</p> <p><b>2018/19 Agreed management action:</b></p> <p>The operation of trade receivables and trade payables within Business World is under review with reconciliations being undertaken more frequently. Development of the system is being undertaken to ensure</p>	<p>We reviewed management's new accounts preparation process and timetable.</p> <p>The 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. These were of significantly improved quality, despite the additional challenge of the Covid-19 lockdown.</p> <p>No issues were noted regarding agreement of the accounts, ledger and working papers.</p> <p><b>Complete</b></p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	There is a risk that similar issues result in errors within the 2019/20 annual accounts.	the risk is mitigated in future years.	
6	<p><b>Process for Identification of Internal Recharges</b></p> <p>The 2018/19 Code requires that internal recharges are removed from each service within the CIES.</p> <p>We confirmed that management had processed this change and concluded that the figures in the CIES are materially accurate. However, we noted that there is scope for improvement in the Council's process to accurately and efficiently identify internal recharge transactions.</p>	<p>Management should take steps to improve the accuracy and efficiency of the process to identify internal recharge transactions.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A review of the processes for internal recharging will be undertaken by Finance staff with a view to eliminating unnecessary charges. Development of the system will be undertaken to better identify internal transactions.</p>	<p>We reviewed the process for identification of internal recharges during our 2019/20 audit of the annual accounts.</p> <p>We noted that the process has improved significantly.</p> <p><b>2019/20 Agreed management action:</b></p> <p>A new journal type has been introduced into the Financial Management System to make identification of internal recharges easier. In addition, work is ongoing to review all internal recharges by department, with a view to better understanding, re-thinking and improvement of processes where appropriate.</p> <p>Responsible officer: Head of Finance</p> <p>Revised date: 31 March 2021</p>
7	<p><b>Whole of Government Accounts</b></p> <p>The Council's WGA submission was late in both 2016/17 and 2017/18, resulting in a qualified audit opinion on the 2017/18 WGA return.</p> <p>Risk – Future WGA submissions may not be submitted in line with the agreed deadline.</p>	<p>Due to the delayed sign off of the 2018/19 audited annual accounts. The 2018/19 audited WGA was not submitted by the deadline of 27 September 2019.</p> <p>The WGA submission was of improved quality from 2017/18 and we issued an unqualified audit opinion.</p> <p>Management should put in place processes to ensure future WGA submissions are prepared in accordance with the required NAO timetable.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A wholesale review of closedown processes, deadlines and responsibilities will be undertaken for the 2019/20 accounts and this will incorporate WGA.</p>	<p>We will reflect on the WGA process following the audit of the 2019/20 submission, which has a deadline of 4 December 2020.</p> <p><b>2019/20 Management response:</b></p> <p>A new timetable was established for the preparation of working papers for the Whole of Government Accounts (WGA) for 2019/20. Three officers attended webinar training for the new OSCAR II portal.</p> <p>Despite this brand new online process for preparation and submission of the WGA return for 2019/20, the exercise was completed and submitted by the HM Treasury deadline of 30 September 2020. The new WGA audit reports were passed to Audit Scotland on the same date.</p>





No.	Issue/risk	Recommendation	Agreed management action/timing
8	<p><b>Renfrewshire IJB Funding Arrangements</b></p> <p>Renfrewshire Council holds earmarked reserves of £1.232 million and other balances of £1.203 million relating to services that have been delegated to RIJB.</p> <p>Risk – There is a risk that the existing funding arrangements may not be transparent.</p>	<p>We recommend that the Council reviews the existing funding arrangements with RIJB and consider how any future arrangements will be processed to improve transparency.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Balances attributable to the RIJB will be drawn down during 2019/20.</p>	<p>These funds were fully drawn down in 2019/20 and all funding is now made through standard integration arrangements.</p> <p><b>Complete</b></p>
9	<p><b>Public notice</b></p> <p>The Local Authority Accounts (Scotland) Regulations 2014 required the Council to give public notice for inspection and objection of the 2018/19 unaudited annual report and accounts by 17 June 2019. The public notice was published on the website on 26 June 2019 and in a newspaper on 28 June 2019, meaning this deadline was not met</p>	<p>The Council should review its procedures to ensure the statutory deadline is achieved in future years.</p> <p><b>2018/19 Agreed management action:</b></p> <p>A wholesale review of closedown processes, deadlines and responsibilities will be undertaken for the 2019/20 accounts and this will incorporate the public notice.</p>	<p>The Council met the public notice requirements for inspection of the annual accounts in 2019/20.</p> <p><b>Complete</b></p>
10	<p><b>Budgetary process</b></p> <p>Budget reports are considered by policy boards throughout the year; however, the budget setting and monitoring arrangements could be more transparent.</p>	<p>The Council could improve the transparency of the budgetary process by</p> <ul style="list-style-type: none"> <li>▪ producing the year end budget report in the same format as the regular budget reports</li> <li>▪ publishing an amended budget to reflect decisions made by members during budget approval</li> <li>▪ outlining budget changes from the prior period in each finance report.</li> </ul> <p><b>2018/19 Agreed management action:</b></p> <p>The Council will incorporate these suggestions into a fundamental review of corporate financial management and reporting.</p>	<p>The council has made a number of improvements in this area:</p> <ul style="list-style-type: none"> <li>▪ a year end budget report was submitted alongside the unaudited accounts in June 2020.</li> <li>▪ budget monitoring reports now clearly outline changes from the originally approved budget.</li> </ul> <p>There remains an opportunity to further improve transparency through the timely publication of an amended budget to reflect decisions made by members during budget approval.</p> <p><b>2019/20 Agreed management action:</b></p> <p>Budget monitoring reporting arrangements are subject to continuous review and development with a view to standardisation and improving transparency and ease of use.</p>





No.	Issue/risk	Recommendation	Agreed management action/timing
			<p>The format of the approved budget will be considered for the 2021/22 Estimates.</p> <p>Responsible officer: Director of Finance and Resources</p> <p>Revised date: 31 March 2021</p>
11	<p><b>Training and development for elected members</b></p> <p>Councillors have not made the most of the training and development opportunities available to them.</p> <p>Risk – there is a risk that elected members do not have the necessary training to carry out their role effectively.</p>	<p>We recommend further action is required by Elected Members to review their individual training requirements with a view to agreeing tailored personal development plans to ensure they deliver, and are seen to deliver, the challenge and scrutiny that is expected of them.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Officers will continue to make available a wide range of development opportunities for Elected Members and encourage attendance or participation in these. Elected members will be supported in agreeing individual development plans</p>	<p><b>2019/20 Management response:</b></p> <p>To make it easier for elected members to access CPD training resources at a time and place of their choosing, the full range of Improvement Service workbooks are now available in the online Members' Library. Elected members will continue to be reminded regularly of the support available to develop their own PDPs and consulted upon the topics for the annual training week. This was reported to the Leadership Board on 4 December 2019.</p> <p><b>2019/20 Agreed management action:</b></p> <p>Revised action: Elected members will continue to be reminded regularly of the support available to develop their own PDPs and consulted upon the topics for the annual training week.</p> <p>Responsible officer: Head of Corporate Governance</p> <p>Revised date: Ongoing</p>
12	<p><b>Community Engagement</b></p> <p>The locality plan identifies broad outcomes for improvement, but it does not refer to localities where action will be focused nor are clear timescales for achieving these set out.</p> <p>Risk – There is a risk that outcomes do not focus on the correct localities.</p>	<p>The council should clarify within the locality plans the localities where outcomes for improvement will be focused and specify the timescales for achieving these.</p> <p><b>2018/19 Agreed management action:</b></p> <p>Narrative on agreed action Locality partnerships have been established and will develop their own action plans which the Council will support to ensure they are "SMART"</p>	<p><b>2019/20 Agreed management action:</b></p> <p>Local plans are being developed by each of the Local Partnerships, and initial priorities identified during 2019. Due to the pandemic the Local Partnerships were paused and this work did not progress at the original pace intended. Sessions are being planned for January 2021 to resume locality level discussions on local priorities in light of COVID.</p>



No. Issue/risk



Recommendation



Agreed management  
action/timing

Responsible officer: Head of  
Policy and Commissioning

Revised date: 30 June 2021

# Appendix 2

## Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).

Audit risk	Assurance procedure	Results and conclusions
<b>Risks of material misstatement in the financial statements</b>		
<p><b>1 Closedown procedures</b></p> <p>We identified issues in the closedown procedures used to prepare the 2018/19 unaudited annual accounts.</p> <p>Balances reported in the financial ledger in respect of debtors and creditors were not properly reflected in the unaudited annual accounts and journals continued to be processed after the unaudited annual accounts had been presented for audit. The differences arose because finance staff had identified issues with intra-group balances between the Council and Renfrewshire Leisure Limited (RLL) and the journals were processed to try and correct these issues. However, the journals processed did not appropriately correct the identified issues and further correcting adjustments were required. This issue resulted in the statutory deadline for certification of the annual accounts being missed and a modification in the independent auditor's report.</p>	<p>Review of revised closedown procedures for reasonableness and identification of key dates.</p> <p>Review of debtors and creditors in unaudited financial statements against the financial ledger, working papers, and primary records.</p> <p>Ongoing liaison with the Director of Finance and Resources, the Head of Finance, and key finance officers to review and assess progress against actions arising from the 2018/19 audit.</p>	<p>We reviewed management's new accounts preparation process and timetable.</p> <p>The 2019/20 unaudited accounts and accompanying working papers were prepared in advance of the 30 June 2020 deadline. These were of significantly improved quality, despite the additional challenge of the Covid-19 lockdown.</p> <p>No issues were noted regarding agreement of the accounts, ledger and working papers.</p> <p><b>Conclusion:</b></p> <p>Management have made significant improvements to closedown procedures.</p>
<p><b>2 Management override of controls</b></p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls to change the position</p>	<p>Detailed testing of journal entries.</p> <p>Review of accounting estimates.</p> <p>Focused testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p>	<p><b>Conclusion:</b></p> <p>Our work identified no evidence of management override of controls at the Council.</p>

Audit risk	Assurance procedure	Results and conclusions
disclosed in the financial statements.		
<p><b>3 Fraud over expenditure</b></p> <p>Most public sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be materially misstated in the financial statements.</p> <p>Renfrewshire Council incurs expenditure on a range of activities. The extent and complexity of expenditure means that there is an inherent risk of fraudulent or erroneous reporting of expenditure to achieve a desired financial position.</p>	<p>Analytical procedures on expenditure streams.</p> <p>Detailed testing of expenditure transactions focusing on whether expenditure is processed in the correct accounting year.</p>	<p>We assessed the design of key controls in place at the Council and did not identify any issues that would result in an increased risk of fraud over expenditure.</p> <p>Substantive (sample) testing was carried out over all areas of expenditure.</p> <p><b>Conclusion:</b></p> <p>We did not identify any evidence of fraud over expenditure.</p>
<p><b>4 Accounting for pensions</b></p> <p>Renfrewshire Council recognised a net liability of £276.674 million relating to its share of Strathclyde Pension Fund at 31 March 2019. There is a significant degree of subjectivity in the measurement and valuation of the pension fund liability. The valuation is based on specialist assumptions and estimates, and changes can result in material changes to the valuation.</p> <p>Additionally, successful legal action was brought against the UK government in relation to pension schemes for judges and firefighters in 2018/19, on the grounds of age discrimination. The judgements for these pension schemes will impact on Strathclyde Pension Fund as it had similar arrangements in place. Uncertainty remains over the remedy for the legal judgements. The expected impact of the legal judgements, or remedy if agreed, will need to be reflected in the pension fund liability valuation in 2019/20.</p>	<p>Completion of 'review of the work of Management's expert' for the pension fund actuary.</p> <p>Review of the estimates used, and assumptions made in calculating the pension fund liability.</p> <p>CIPFA intend to issue a briefing note outlining the accounting requirements of the legal judgments. Compliance with the briefing note will be assessed.</p>	<p>The legal case referred to in the risk column concluded after the unaudited accounts were issued. An audit adjustment was processed to reflect the impact of the legal remedy on the council's pension liability.</p> <p><b>Conclusion:</b></p> <p>A material audit adjustment was processed due to the conclusion of a legal case. No issues were noted regarding the council's processes around pension accounting.</p>

Audit risk	Assurance procedure	Results and conclusions
<p><b>5 Estimates and judgements in the valuation of land and buildings</b></p> <p>Renfrewshire Council held land and buildings with a net book value (NBV) in excess of £780 million at 31 March 2019. There is a significant degree of subjectivity in the valuation of land and buildings. Valuations are based on specialist and management assumptions and estimates, and changes in these can result in material changes to valuations.</p>	<p>Completion of 'review of the work of Management's expert' for the professional valuer.</p> <p>Review of revaluations performed by the internal valuer in year, assessing whether they have been performed using an appropriate and relevant valuation basis / methodology by suitably qualified individuals.</p> <p>Review of the information provided to the valuer and assess whether this was complete and included all Renfrewshire Council's land and buildings relevant for the 2019/20 revaluation exercise.</p> <p>Review and assess the reasonableness of revaluations.</p>	<p><b>Conclusion:</b></p> <p>We noted no issues with the reliability of the professional valuer or the reasonableness of estimates they provided.</p> <p>The valuer highlighted a material uncertainty in their valuation arising due the impact of the Covid-19 pandemic. We included an emphasis of matter in our audit opinion as a result.</p> <p>We recommend that management formalise processes for engagement with the asset valuer.</p>
<p><b>6 Identification of internal recharges</b></p> <p>Changes were made to the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) which required internal recharges to be removed from the Comprehensive Income and Expenditure Statement (CIES). Our audit work in 2018/19 identified issues in the process for identifying internal recharges and noted there was scope for improvements in the process.</p>	<p>Review and assessment of the process for identifying internal recharges.</p> <p>Review of internal recharges to assess if these are reasonable.</p>	<p><b>Conclusion:</b></p> <p>No issues were noted with the identification of internal recharges.</p> <p>Management continue to improve the efficiency of the process for identifying internal recharges.</p>
<p><b>Risks identified from the auditor's wider responsibility under the Code of Audit Practice</b></p>		
<p><b>7 Financial sustainability</b></p> <p>The council approved its 2019/20 budget in February 2019. A surplus of £5.832 million was forecast in the original budget paper, however this was before decisions were approved by the Council. Motions approved by the Council resulted in the forecast surplus moving to a forecast breakeven position. The latest revenue budget monitoring report to 8 November 2019 highlights a year to date underspend of £58,000 and a</p>	<p>Review of revenue budget monitoring reports during the year and comment on financial position within the Annual Audit Report.</p> <p>Attendance at Council, board, and committee meetings.</p> <p>Monitoring of progress against savings plans and delivery of the transformational change programme.</p> <p>Monitoring service delivery key performance indicators (KPIs).</p>	<p>The Council continues to forecast financial pressures in the medium term, and the Covid-19 pandemic is likely to make these significantly more challenging.</p> <p>The Council has made progressed with its transformation plan ("Right for Renfrewshire") which seeks to deliver £25 million of savings in the period 2020/21 to 2022/23. This has also been disrupted by the pandemic, meaning savings will be harder to deliver.</p> <p><b>Conclusion:</b> The Council should update its medium-term financial</p>

Audit risk	Assurance procedure	Results and conclusions
<p>forecast year end underspend of £0.358 million.</p> <p>While an underspend is forecast in 2019/20, Renfrewshire Council's Financial Outlook 2020 – 2023 forecasts a net budget gap of between £26 - £67 million over the three-year period. The council plans to address the funding pressures through a combination of savings and a transformational change programme. The plans also acknowledge the option for further council tax increases to balance future budgets.</p> <p>Meeting the savings targets and the transformational change programme and are expected to have a considerable impact on the way services are delivered, and there is a risk that the changes will affect the quality of services provided.</p>	<p>Assessment of savings plans over the medium term.</p>	<p>plan as soon as more clarity on the financial impacts of Covid-19 is obtained.</p>

# Appendix 3

## Summary of national performance reports 2019/20

 <b>2019/20 Reports</b>		
	Apr	
Social security: Implementing the devolved powers	 <b>May</b>	
Scotland's colleges 2019	 <b>Jun</b>	 Enabling digital government
	Jul	
NHS workforce planning - part 2	 <b>Aug</b>	
Finances of Scottish universities	 <b>Sept</b>	
NHS in Scotland 2019	 <b>Oct</b>	
	Nov	
Local government in Scotland: Financial overview 2018/19	 <b>Dec</b>	
Scotland's City Region and Growth Deals	 <b>Jan</b>	 Privately financed infrastructure investment: The Non-Profit Distributing (NPD) and hub models
	Feb	
	<b>Mar</b>	 Early learning and childcare: follow-up



# Appendix 4

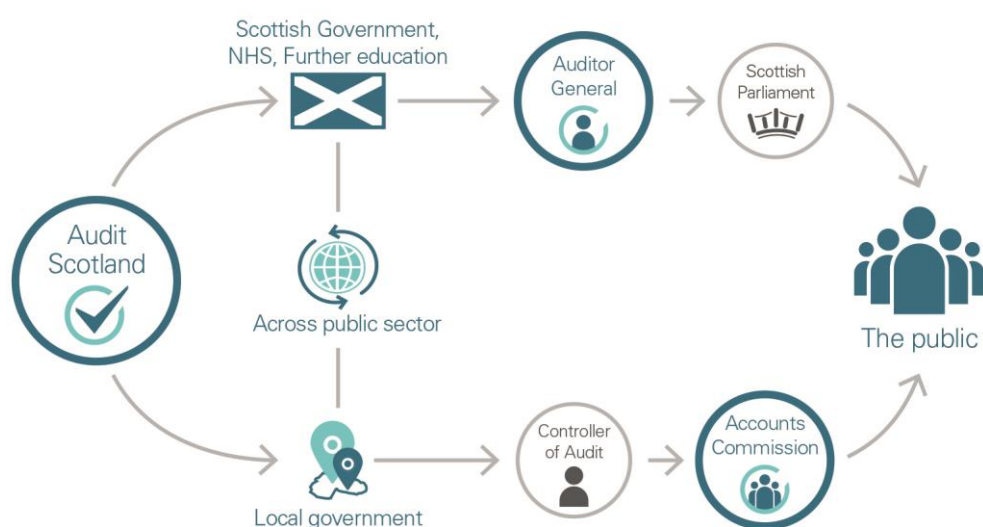
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# Renfrewshire Council

## 2019/20 Annual Audit Report – Proposed

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## APPENDIX B: Letter of Representation (ISA 580)

John Cornett, Audit Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear John

### **Renfrewshire Council Annual Accounts 2019/20**

1. This representation letter is provided about your audit of the annual accounts of Renfrewshire Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Renfrewshire Council's annual accounts for the year ended 31 March 2020.

### **General**

3. Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.
4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Renfrewshire Council and its Group at 31 March 2020 and the transactions for 2019/20.

## Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Council circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## Going Concern Basis of Accounting

9. I have assessed Renfrewshire Council's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Council's ability to continue as a going concern.

## Assets

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## Liabilities

15. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
16. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2020 of which I am aware where the conditions specified in the 2019/20 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2020. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

17. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2020 or to reflect material changes in the assumptions underlying the calculations of the cash flows.
18. The accrual recognised in the financial statements for holiday untaken by 31 March 2020 has been estimated on a reasonable basis.
19. The pension assumptions made by the actuary in the IAS 19 report for Renfrewshire Council have been considered and I confirm that they are consistent with management's own view.
20. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

### **Contingent liabilities**

21. There are no significant contingent liabilities, other than those disclosed in Note 30 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and IAS 37

### **Fraud**

22. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

23. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

24. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

### **Remuneration Report**

25. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

### **Management commentary**

26. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

27. I confirm that the Renfrewshire Council has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
28. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

## **Group Accounts**

29. I have identified all the other entities in which Renfrewshire Council has a material interest and have classified and accounted for them in accordance with the 2019/20 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

## **Events Subsequent to the Date of the Balance Sheet**

30. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

## **Prior Year Restatements**

31. I confirm that all restatements to correct or update 2018/19 comparative figures in the 2019/20 accounts are have been accurately processed.

Yours sincerely

Director of Finances and Resources





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**To:** Council

**On:** 26 November 2020

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

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**Heading:** Audited Annual Accounts 2019/20 - Renfrewshire Council

---

**1. Summary**

- 1.1 The 2019/20 unaudited Annual Accounts were approved by Council on 25 June 2020. Each year the Council's appointed external auditors carry out an audit of the Council's financial statements and provide an opinion as to whether those statements provide a true and fair view of the financial position of the Council and its income and expenditure for the year; and also whether they have been prepared in accordance with the relevant regulations.
- 1.2 The audit process is now substantially complete and the Assistant Director of Audit (Local Government) has provided an audit opinion free from qualification.
- 1.3 Under the Local Authority Accounts (Scotland) Regulations 2014, modified by powers in the Coronavirus (Scotland) Act 2020 this year, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 November 2020.
- 1.4 The audited Annual Accounts 2019/20 for Renfrewshire Council and its Group are now presented for approval.
- 1.5 There were three material changes to the accounts over the course of the audit in relation to the valuation of the pension liability, the valuation of Council dwellings and recognition of an asset and a liability in relation to the Clyde Valley Waste facility. Further detail is included in the Audit Scotland report that preceded this item on the agenda. These changes have no impact on the revenue outturn position of the Council or on the available

balances reported in the unaudited accounts. Other reclassification and presentational changes were also agreed.

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## 2. Recommendations

- 2.1 The Council is asked to approve the attached audited Annual Accounts 2019/20 for signature in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- 

### Implications of the Report

1. **Financial** – The 2019/20 Annual Accounts demonstrate the Council continues to operate services within the resources available, and in line with the relevant legislation. They are certified as providing a true and fair view of the financial position of the Council and its Group as at 31 March 2020.
2. **HR & Organisational Development – none**
3. **Community/Council Planning – none**
4. **Legal** – An audit opinion free from qualification demonstrates the Council's compliance with the statutory accounting requirements set out in the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.
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 because it is for noting only. 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**
13. **Climate Risk – none**

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**Author:** Alastair MacArthur, Ext 7363



# Renfrewshire Council

## Audited accounts 2019–2020



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## Management Commentary

The purpose of the Management Commentary is to present an overview of Renfrewshire Council's performance during the 2019/20 financial year and to help readers understand its financial position at 31 March 2020. In addition, it outlines the main issues and risks that may impact the performance of the Council in the future.



**270** square km

Renfrewshire Council, one of 32 local authorities in Scotland, was established by the Local Government (Scotland) Act 1994 and came into being on 1 April 1996.

We provide services to around 179,000 residents in the entire Renfrewshire

area, which has a mixed geography, with many villages complementing its three main towns of Johnstone, Paisley and Renfrew.

The Council is governed by 43 elected members, or councillors, comprised as follows:



The kind of services that the Council provides includes housing, nursery, primary and secondary education; social services; regeneration and waste services.

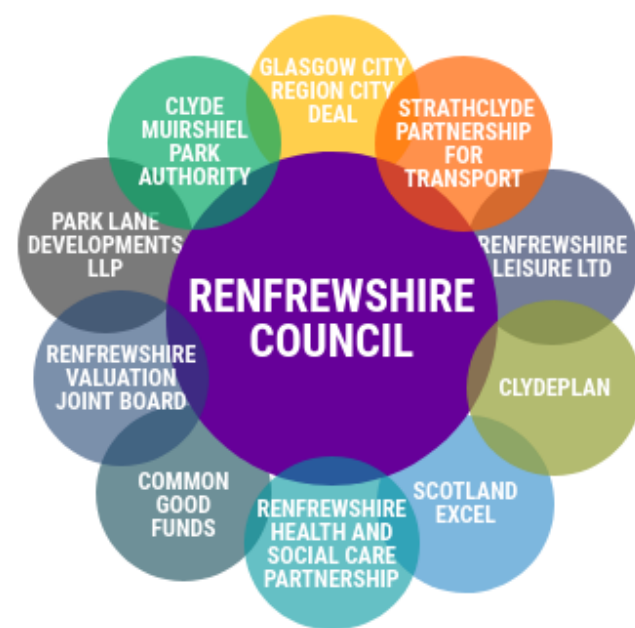


It also works closely with the Renfrewshire Health and Social Care Partnership, which delivers care services across the region.

Renfrewshire Council is organised into five directorate services, as follows:



The Council is also part of a wider Group, with partnerships spanning a number of organisations to varying degrees.



## Our Aims and Objectives

The Council and its community partners aim to achieve the objectives agreed in the 'Our Renfrewshire Community Plan 2017-2027' (<http://www.renfrewshire.gov.uk/communityplan>), with the overriding vision of:

**"Working together to make Renfrewshire a fairer, more inclusive place where all our people, communities and businesses thrive"**

Performance against the Plan outcomes and objectives is monitored by the Community Planning Partnership Board, chaired by the Leader of the Council. The specific responsibilities and actions the Council will undertake to support the delivery of the Community Plan are detailed in the Council Plan 2017-2022, which can be found on the Council's website at: <http://www.renfrewshire.gov.uk>Your Council>Our key priorities>Council Plan>.

The Council Plan "Thriving People, Connected Communities" was agreed in September 2017. The Plan outlines five strategic outcomes for the Council over the period to 2022:

- Reshaping our place, our economy and our future
- Building strong, safe and resilient communities
- Tackling inequality, ensuring opportunities for all
- Creating a sustainable Renfrewshire for all to enjoy
- Working together to improve outcomes

## Financial Strategy

The financial strategy and plans of the Council support the delivery of the Council's priorities as outlined in the Council Plan. In order to achieve this, the financial strategy must ensure resources are effectively and efficiently deployed in line with corporate objectives; and ensure resources are managed sustainably and in a way that continues to ensure the stability of council services.

The medium-term Financial Outlook 2021-23 was reported to the Council on 24 September 2020, and the following range of financial planning principles from the existing Financial Strategy were confirmed:

- i) The Council has an ongoing commitment to efficiency, modernisation of service delivery and prioritisation of resources on the delivery of key strategic outcomes;
- ii) The Council strives to maximise income, grow its tax base and attract external funding;
- iii) Investment in service transformation and early intervention / prevention, including lifecycle maintenance to protect existing investments in our assets, is given appropriate priority;
- iv) Any new borrowing decisions taken by the Council are capable of repayment on a sustainable basis and overall debt levels are contained within affordable long-term parameters;
- v) The Council's core budget is not underwritten by the use of general reserves or speculative capital receipts;
- vi) Council reserves are maintained at a level which provides appropriate financial resilience to the Council and the core services it provides and should be subject to ongoing annual review in the context of the risk profile faced by the Council.

In light of the Coronavirus pandemic and the significant costs the Council has incurred and continues to incur in response, the financial strategy will require to be fundamentally reviewed. The above principles, however, remain sound.

## Our Performance

The Council Plan outlines priorities and actions, against which progress is reported bi-annually to the Council's Leadership Board, most recently on 4 December 2019. Owing to COVID-19, the Board planned for May 2020 did not take place; the next report will be presented in winter 2020.

A Service Improvement Plan (SIP) for each of the Council departments is also agreed annually, detailing how each service will support and deliver the aims and objectives of the Council and Community Plan. Performance against SIPs is regularly reported to the Council's Policy Boards, the main scrutiny and decision-making committees within the Council.

During August and September 2020, service updates were provided to the relevant Policy Boards on:

- the impact of the COVID-19 pandemic on services since March 2020;
- how services responded to the pandemic; and
- the identified key priorities and areas of risk for the service.

Following this, a further service update was provided to Boards in October and November.

## Key Performance Indicators

In the most recent service updates, an appendix on the performance indicators and actions as outlined in the Service Improvement Plan (SIP) for 2019/20 was provided. Analysis across the five service SIP scorecards shows that 58% of indicators achieved their target for 2019/20.

The annual performance report to Audit, Risk and Scrutiny Board was presented on 16 March 2020. This provided the Board and the public with a full assessment of all 90 indicators in the Local Government Benchmarking Framework (LGBF) for 2018/19, highlighting those indicators in the top and bottom quartile, trend data and ranked position over the two years, Scottish average and the family group range for all indicators. This year for those indicators

that had significant movement (i.e. moved nine or more places in the rankings since 2017/18) an explanation was also provided.

LGBF data for 2019/20 will be available in early 2021 alongside the Public Performance Report for 2019/20.

The local KPIs included in the Council Plan are reported bi-annually, however due to the COVID-19 pandemic and the suspension of all Boards, the scheduled update in May did not go ahead. During the initial lockdown, regular updates were provided to the Emergencies Board on service status. This included an appendix of all the key performance and activity measures which the Council reported to Scottish Government/COSLA on a weekly basis. An update will be provided on progress against the Council Plan in the winter of 2020 and will be made available on the Performance section of the Council's website.

These Performance section pages have been updated to reflect the most up-to-date data available. One of the approaches to Public Performance Reporting is the 'It's all about you' story map, which provides an overview of performance for the LGBF indicators and the key priority areas for the Council. It includes case studies, infographics, performance indicators and even videos this year. Further information can be found on the Council's website at:

[www.renfrewshire.gov.uk/Your Council/ Information, performance and statistics/ Council Performance/ Our current performance](http://www.renfrewshire.gov.uk/Your-Council/Information-performance-and-statistics/Council-Performance/Our-current-performance)

Board reports can be found on the Council Committee Management Information System at:  
<http://renfrewshire.cmis.uk.com/renfrewshire/Home.aspx>.

LGBF data can be found at:  
<https://www.improvementservice.org.uk/benchmarking/explore-the-data>

## Key Financial Ratios

The following tables provide information regarding the financial performance of the Council in 2019/20 and the affordability of its ongoing commitments:

Financial Indicator	2019/20		2018/19	Commentary
	Estimate	Actual	Actual	
Reserves				
Uncommitted General Fund reserves as a % of budgeted net expenditure	1.9%	1.6%	1.9%	Reflects the level of funding available to meet unplanned expenditure and manage financial risk. Lower than anticipated due to one-off transformation activity during the year.
Movement in uncommitted General Fund balance	n/a	-7.5%	0.6%	Reflects the extent to which the Council is using uncommitted reserves.
Council Tax				
In-year collection rate	96.0%	96.0%	96.0%	Reflects the Council's effectiveness in collecting council tax debt
Council tax income as a proportion of total taxation and non-specific grant income	20.0%	20.1%	19.9%	Reflects the Council's ability to vary expenditure by raising council tax, the principal local authority controlled source of finance
Debt/Long term borrowing				
Capital Financing Requirement (CFR)	£392.0m	£375.3m	£344.6m	The information in this section demonstrates that the level of external debt (driven by the capital programme) is affordable, owing to the low proportion of our budget spent on servicing debt. Further information, including descriptions of these terms and their significance, is available in the Treasury Management Annual Report presented to Council on 25 June 2020.
External debt	£330.3m	£292.7m	£298.9m	
Ratio of financing costs to net revenue stream (General Fund)	4.0%	4.0%	5.4%	

## Financial Performance

### Primary Financial Statements

The annual accounts summarise the Council's transactions for the year, its financial position at 31 March 2020 and its cashflows. The annual accounts are prepared in accordance with the International Accounting Standards Board Framework for the Preparation and Presentation of Financial Statements as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code").

The Primary Financial Statements include the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement (MIRS), Balance Sheet and Cashflow Statement. These statements are accompanied by notes to the accounts, which provide more details on the figures

shown in the statements and set out the accounting policies adopted by the Council.

The Comprehensive Income and Expenditure Statement (CIES) presents the total cost of providing Council services in 2019/20 along with the income available to fund those services.

The outturn explained in the following section differs from the accounting deficit of £25.5m shown in the CIES due to accounting adjustments required to comply with proper accounting practice, but which under statute should not impact on local taxpayers. A reconciliation of these figures can be found in the Note 1: Expenditure and Funding Analysis.

## General Fund

The General Fund is funded by government grant and Council Tax revenues and the Council is also able to apply usable reserves from the General Fund Balance to fund expenditure. After adjusting for planned carry forwards and debt repayments, the General Fund had a deficit of expenditure over income in 2019/20 of £4.3m. The budgeted position was a deficit of £3.8m, which results in an overspend of £0.5m against budget.

The main reasons for the variance against the approved budget, as indicated in the following table, was an overspend in employee costs resulting, in part, from exit costs associated with the Right for

Renfrewshire transformation programme, as outlined in the Remuneration Report, along with various overspends in supplies and services during the year and an increase in the provisions required in anticipation of increased levels of bad debt write-off being required in future. This was offset by a one-off over-recovery of income due to a higher level of planning fees than anticipated. Further detail on budget variances can be found in the [Unaudited Annual Accounts 2019/20](#) report to Council on 25 June 2020.

The Council met its target 96% collection rate in 2019/20 and also recovered £0.4m over budget, partly owing to a more prudent bad debt provision in light of the COVID-19 pandemic.

2019/20	Budget £m	Actual £m	Variance £m
Children's Services	193.235	193.278	(0.043)
Communities, Housing & Planning	13.246	12.702	0.544
Environment & Infrastructure	48.026	48.073	(0.047)
Finance & Resources	36.031	36.030	0.001
Chief Executive's Service	21.249	21.249	0.000
Miscellaneous Services	31.038	32.402	(1.364)
Adult Services	70.685	70.685	0.000
<b>Net Expenditure</b>	<b>413.510</b>	<b>414.419</b>	<b>(0.909)</b>
Revenue Support Grant	(226.987)	(226.985)	(0.002)
Council Tax Income	(78.311)	(78.684)	0.373
Non-Domestic Rates Income*	(104.417)	(104.417)	0.000
<b>Funding</b>	<b>(409.715)</b>	<b>(410.086)</b>	<b>0.371</b>
<b>Use of General Fund Balances</b>	<b>3.795</b>	<b>4.333</b>	<b>(0.538)</b>

\*The Council was due £104.4m of Non-Domestic Rate Income from the Scottish Government as its share of the national pool.

The Council collected £113.3m directly from local businesses with the excess of £8.9m due back to the Scottish Government.

## The Council's Reserves

The Council holds the following balances in reserve. Further details can be found in Note 7: Usable Reserves. The General Fund balance of £54.8m will be

carried forward to 2020/21. Of this balance, £48.2m has been earmarked for a particular purpose as outlined in Note 7: Usable Reserves.

This leaves unallocated reserves of £6.6m (1.6% of the Council's net annual running costs), which is slightly below the level recommended in the Council's financial planning principles. It is anticipated that this full balance will be required in order to support costs incurred in response to Coronavirus in 2020/21, and a strategy to rebuild general reserves over the medium term will require to be developed.



As at 31 March 2019 £m	Usable Reserves	As at 31 March 2020 £m
59.144	General Fund Balance	54.811
6.807	Housing Revenue Account	6.807
8.017	Capital Receipts Reserve	9.453
80.638	Other Statutory Funds	88.550
<b>154.606</b>	<b>Total</b>	<b>159.621</b>

## Housing Revenue Account

The balance on the Housing Revenue Account (HRA) as at 31 March 2020 has been maintained at £6.8m. This represents a prudent level of unallocated reserves for the HRA that remains available to mitigate the impact of any unforeseen risks and to provide an element of mitigation against forecast pressures related to Coronavirus.

The year-end breakeven position is in line with projections reported during 2019/20 and reflects the net effect of underspends in employee costs and transfer payments that have been used to fund a

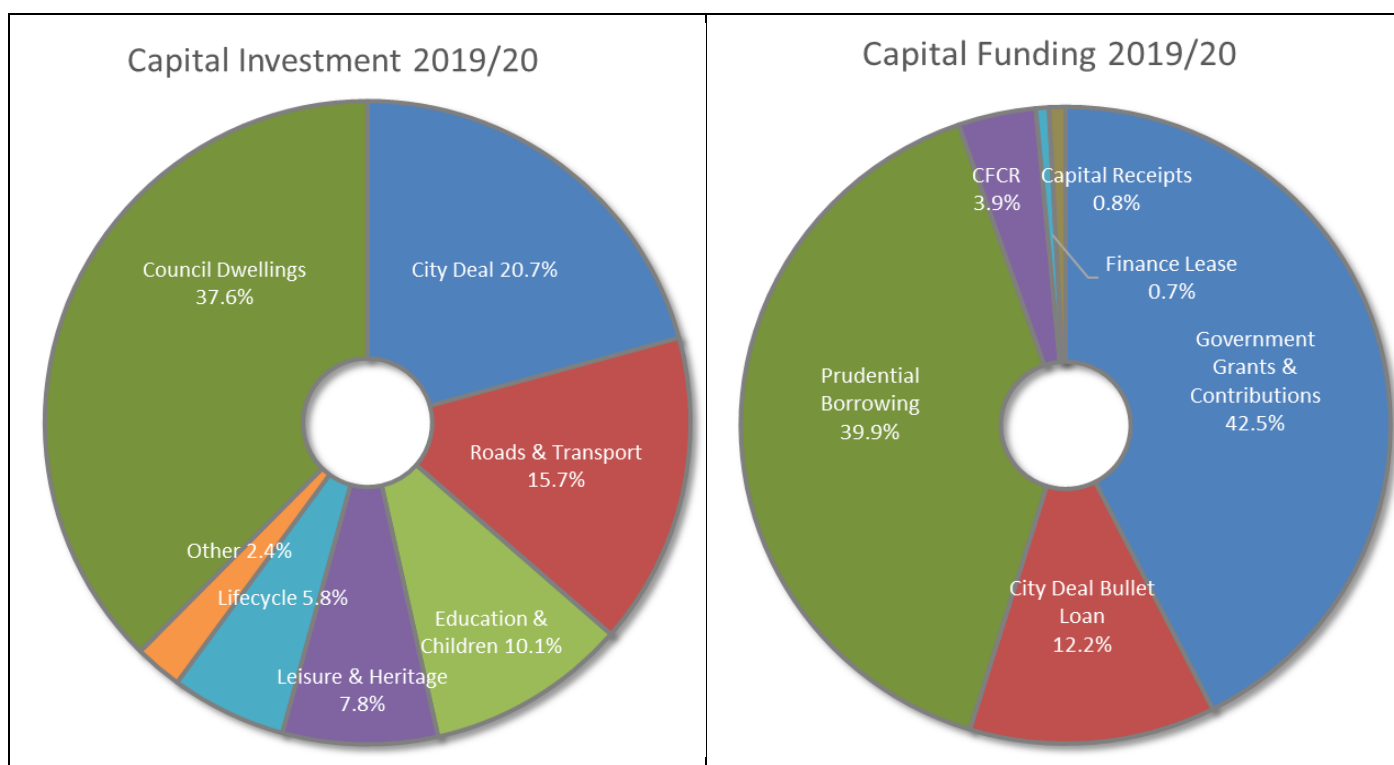
repairs overspend and increased debt repayment as part of the overall housing debt smoothing strategy.

## Capital and Borrowing

Renfrewshire Council continues to make significant capital investment in council housing, schools, culture, roads and the town centre estate. On 28 February 2019, the Council approved the housing capital investment programme for 2019/20 of £26.3m; and the General Fund capital investment programme of £65.7m.

These programmes have been re-profiled during the year to reflect the planned expenditure timescales of individual projects or where project completion dates have been delayed, resulting in actual capital spend for the year of £32.0m for housing capital investment and £53.3m for the General Fund. Further detail is provided in Note 14.

The following charts show the actual expenditure incurred and income received in relation to the 2019/20 capital programme.



During the course of 2019/20 there was no new external borrowing (excluding Group transactions).

The level of cash balances available to the Council remains consistent with daily cash requirements,



treasury and capital investment plans. The reduction in cash balances compared to 31 March 2019 is attributable to a number of issues that resulted in a higher than usual balance last year.

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities.

The majority of the Council's borrowing comes from the Public Works Loan Board with the remainder from market and other loans. Further details are provided in Note 23: Financial Instruments.

For a number of years an important element of the Council's medium-term financial planning has been the strategy of debt smoothing, which ensures the Council's debt profile remains appropriate and sustainable over the medium term. This process involves the planned repayment of debt over the medium term as part of the Council's planned budget, capital investment and treasury management strategies. While it had been planned that this process would reach a natural conclusion, the Council will now explore options as to whether refocussing the strategy may help deliver short term financial capacity in order to support the costs being incurred in response to the Coronavirus pandemic.

The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council sets its capital financing requirement (CFR) for the forthcoming year in its Treasury Management Strategy Statement (TMSS), approved by the Council on 28 February 2019 and revised on 5 December 2019. The TMSS for 2019/20 can be found on the Council Committee Management Information System at:

<http://renfrewshire.cmis.uk.com/renfrewshire/Home.aspx>.

The CFR is a prudent assessment of the aggregate external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The actual CFR at 31 March 2020 was £375.0m, which is within the approved limit of £392.0m.

The Council's external borrowings have only been applied for capital investment purposes, with the Council's net external debt being £224.8m at 31 March 2020 compared to the operational boundary of £392m. The Council's costs of borrowing remain consistently one of the lowest of all Scottish local authorities; are affordable and match the Council's medium to long-term financial strategy.

The Council's non-housing financing costs are 4.0% as a proportion of the Council's non-housing net revenue stream. Housing related financing costs as at 31 March 2020 were 43.6% of net housing revenues, higher than the forecast of 42.2% due to additional debt repaid in the year. Excluding these repayments, the actual position was 40.5%.

## Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed in Notes 28 and 29. The appointed actuaries, have confirmed a decrease of £114.1m in their assessment of the Council's share of the actuarial deficit position of the local government pension fund as at 31 March 2020. This can be attributed to a higher net discount rate, which serves to reduce the value placed on the obligations (corporate bond yields are at a similar level to 2019 but inflation expectations are significantly lower).

The McCloud / Sargeant case noted in last year's accounts, whereby transitional protections on implementation of the new pension benefit structure in 2015 for members close to retirement age are argued to be unlawful on the grounds of age discrimination, added £14.2m of past service costs to the overall pension liability. Following the court ruling and subsequent announcement of proposed remedies by the UK Government, the Board's appointed actuaries have now reduced the estimated past service costs figure by £7.8m in 2019/20 to reflect this change.

The assessment provides only a snapshot as at 31 March 2020 and necessarily changes on a day-to-day basis to reflect stock market movements in particular. The appointed actuaries remain of the view that the

asset holdings of the Strathclyde Pension Scheme and the contributions from employees and employers provide sufficient security and income to meet future pension liabilities.

### Provisions, Contingencies and Write-offs

The Council has provided for eventualities which may have a material effect on the financial position of the Council. The reasons for the provisions made are outlined in Note 22.

In general, any contingent liabilities known to the Council are covered by insurance arrangements. As outlined at Note 7, the Council has also set aside £2.5m for uninsured claims. While the Council has financial monitoring arrangements in place with regards costs being incurred in response to the Coronavirus pandemic, the Council cannot know with certainty the full costs and income loss which may arise over the medium term.

The Council has been made aware of an issue relating to Guaranteed Minimum Pension that could increase the future value of pension liability recognised in the balance sheet by around £4.1m. Further detail is provided at Note 30.

### The Renfrewshire Council Group

Local authorities are required to prepare Group Accounts in addition to their own Council's accounts where they have a material interest in other organisations. The Group Accounts consolidate the results of the Council with five subsidiaries - Renfrewshire Leisure Limited (a registered charity and company limited by guarantee formed to provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in Renfrewshire); the Common Good Funds; the Coats Observatory Trust, Park Lane Developments (Renfrewshire) Limited Liability Partnership and Paisley Museum Reimagined Ltd. The latter is a new entity, incorporated in January 2019 to deliver the fundraising strategy for the planned transformation of Paisley Museum. The Group Accounts also

consolidate the Council's share of four other entities treated as associates or joint ventures – Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee, Renfrewshire Valuation Joint Board, and Renfrewshire Health and Social Care Integration Joint Board.

The Council has non-material interests in a number of other entities namely Clyde Muirshiel Park Authority, Scotland Excel, Glasgow and the Clyde Valley Strategic Development Planning Authority and Glasgow City Region – City Deal Cabinet.

### Financial Outlook and Key Risks

The Financial Outlook reported to the Leadership Board in September 2019 outlined continued and considerable uncertainty for local government finances – even prior to the world-wide impact of the Coronavirus pandemic which has fundamentally altered the financial outlook of the Council and public finances across the UK. The performance of both the UK and Scottish economies in the coming years will be severely impacted by the cost of supporting individuals, communities and businesses respond to Coronavirus and resulting lockdown measures; with, consequently, a high risk of this impacting on public finances at all levels of government.

The shock to global finances is ongoing and it will take some time for the full impact of the pandemic to be fully understood. What is clear however, is that the levels of public spending to support the economy and employment levels is unprecedented; and is likely to take many years to recover from. Economists debate as to what type of recovery will be experienced; but what is becoming clear is that initial expectations of an immediate 'bounce-back' in the economy at a UK level are less certain, despite the significant level of borrowing which has been required to fund measures to support the economy such as the furlough of large numbers of the UK workforce, business support grants and other reliefs for businesses. It is also expected that unemployment levels will continue to increase, to levels possibly not seen since the early 1980s, as government support to business tapers off in the coming months.

While Coronavirus concerns dominate the headlines, it is not the only uncertainty facing the public finances and the UK's impending exit from the European Union will generate further risks for the economy and therefore the public finances. In addition and as has been highlighted in previous commentaries, as the transition of powers moves the Scottish budget towards almost 50% of spending being supported by devolved tax raising powers, the economic performance of the Scottish economy relative to that of the UK becomes a key determinant in the overall level of resources that will be available to the Scottish Government's budget each year.

Lagging economic growth in Scotland compared to that of the UK and projected income tax reconciliation adjustments over 2020 to 2022 were already very challenging for the Scottish Government to accommodate without difficult tax and spending decisions. The costs of the Scottish Government response to the Coronavirus run to several billion pounds in 2020/21 – necessitating an in-year revision to the Scottish Budget.

This uncertain climate is likely to present continuing challenges over the medium-term for core local government grant levels in Scotland. While the medium-term financial plans for the Council will require substantial revision, they will remain based on an assumption that its grant settlement is likely to further reduce given Scottish Government policy commitments and funding pressures. For context, each 1% cut to the Council's revenue funding represents a £3m loss in resource.

The local government grant settlement for 2020/21 (again only a single year settlement being announced) was initially cut, with Renfrewshire Council facing a reduction in funding of 1.1%. Following the conclusion of the Scottish Parliamentary budget approval process, and subsequent revision to the local government settlement, the final like-for-like comparison reflects a 0.2% reduction in the general revenue grant received in 2020/21 compared to 2019/20.

A balanced budget position moving into 2020/21 was agreed by the Council on 9 March 2020, reflecting well on the budget decisions taken to date by the Council towards addressing the medium-term savings requirement it is facing, while also incorporating significant temporary investment in measures to invest in Renfrewshire's infrastructure and communities. The Council also agreed a 4.64% council tax increase for 2020/21, which was lower than the 4.79% cap set by the Scottish Government.

The Council will continue to consider the Scottish Government Budget revision and assess the impact of Coronavirus on the 2020/21 budget and over the medium term. An updated financial outlook was presented to Council on 24 September 2020, outlining the measures necessary to ensure the Council remains financially sustainable.

Existing service and cost pressures arising from pay settlements, demographic and socio-economic factors will continue to play a major role in driving spending pressures for the Council, however the predominant focus of the Council in the short term will be fully understanding and assessing the financial impact of Coronavirus. This is expected to manifest itself in both additional costs of services adapting and responding to the pandemic and resulting lockdown and social distancing measures, but more significantly in terms of income loss. Reduced levels of council tax income are anticipated; along with many other income streams eg commercial waste, parking income and planning fees. In addition, the Council will require to support the substantial levels of commercial income loss being experienced by its subsidiary, Renfrewshire Leisure.

In the face of these challenges, it remains critical that the Council continues to proactively invest in a range of measures to stimulate the local economy and improve the lives of residents. The Council has agreed a capital programme including spend of £130m in 2020/21 across public infrastructure, schools, nurseries, public buildings and council housing. These will run alongside the Glasgow and Clyde Valley City Deal programme that is planned to be delivered during the course of this decade, generating 29,000

new jobs. However, it is expected that the Council's planned capital programme will potentially require to be reshaped, linked to the risk of increased construction costs, as many public and private organisations try to make up time lost during the construction shutdown, and there may also be an impact on future tender prices should the construction market contract as a result of existing contractors being unable to weather and ultimately survive the current economic challenges.

The Council continues to mitigate treasury risks, including those associated with the security of cash deposits by actively considering debt restructuring as outlined in the Council's agreed Treasury Management Strategy. The Council also continually reviews, in consultation with its treasury advisors, the criteria for placing deposits with financial institutions on the Council's approved counterparty list.

As part of the Council's treasury strategy, it continues to utilise internal cash balances, deferring or minimising external borrowing with the dual objective of reducing the level of cash deposits held by the Council, whilst generating ongoing savings in overall net interest costs.

This strategy is monitored carefully in order to ensure that the Council retains sufficient cash balances to support its ongoing requirements and remains alert to any anticipated adverse movement in future borrowing rates.

## Charitable Funds

The Council administers the Common Good Funds for the areas of Paisley, Renfrew and Johnstone. Each of these Funds is a registered charity. In addition, the Council controls the Coats Observatory Charitable

Trust. In order to comply with the Code, Audit Scotland and OSCR requirements, the Council separately prepares the financial statements of the three Common Good Funds and the Coats Observatory Trust, with the balances included in the Group Accounts. Audit Scotland is the appointed auditor for the Council's charitable funds.

Overall, the Common Good Funds incurred a combined in-year surplus of £0.5m which is added to the previous surplus brought forward. The total net asset value increased by £1.3m, with investments increasing by £1.1m. Both the market values of investments and income generated from dividends are likely to be subject to considerable volatility over the course of 2020/21 as the economic impact of Coronavirus unfolds.

The audited annual accounts of the Common Good Funds and Observatory Trust will be reported to the Council on 26 November 2020 and can be accessed on the Committee Management Information System at: <http://renfrewshire.cmis.uk.com/renfrewshire/Home.aspx>.

## Conclusion and Acknowledgements

We would like to acknowledge the significant effort required to both produce the annual accounts and successfully manage the finances of the Council; and to record our thanks to both the Finance and Resources team and colleagues in other services for their continued hard work and support.

Further information on the annual accounts or on the Council's general finances can be obtained on the Council website ([www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk)), or by telephoning 0141 618 7363.

**Cllr Iain Nicolson**  
Leader of the Council

**Sandra Black**  
Chief Executive

**Alan Russell CPFA**  
Director of Finance and Resources

## Statement of Responsibilities

### The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In Renfrewshire Council, that officer is the Director of Finance and Resources;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ensure that 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), and;
- approve the Annual Accounts for signature.

I can confirm that these annual accounts were approved for signature by the Council at its meeting on 26 November 2020.

Signed on behalf of Renfrewshire Council.

**Cllr Iain Nicolson**  
Leader of the Council

### The Director of Finance and Resources' Responsibilities

The Director of Finance and Resources 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 the Annual Accounts, the Director of Finance and Resources has:

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

The Director of Finance and Resources has also:

- kept adequate accounting records which were up to date; and
- 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 Authority and its group at the reporting date and the transactions of the Authority and its group for the year ended 31 March 2020.

**Alan Russell CPFA**  
Director of Finance and Resources



## Annual Governance Statement

### Scope of responsibility

Renfrewshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty to make arrangements to secure best value under the Local Government in Scotland Act 2003. In discharging this overall responsibility, the Council's members and the corporate management team are responsible for putting in place proper arrangements for its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) framework; Delivering Good Governance in Local Government. A copy of the Local Code is available on our website at: [www.renfrewshire.gov.uk > Your Council > Information, performance and statistics > Information Governance](http://www.renfrewshire.gov.uk > Your Council > Information, performance and statistics > Information Governance)

This statement explains how Renfrewshire Council has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirements for an annual Governance Statement.

### 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 through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives set out in the Council plan.

The system of internal control is a significant part of that framework and is designed to manage risk to a

reasonable level. Internal control 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 to the achievement of the Council's 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.

### The governance framework

The main features of our governance arrangements are described in the Local Code but are summarised below:

The overarching strategic priorities and vision of the Council are set out in the Council Plan 2017-2022 and the Renfrewshire Community Plan 2017-2027. The Council Plan is aligned to the Community Plan and sets out 5 strategic outcomes that the organisation will work to achieve over a 5-year period with specific priorities relating to tackling inequality, promoting economic and cultural regeneration, attainment and sustainability. Renfrewshire's Community Plan (which also acts as Renfrewshire's Local Outcome Improvement Plan as required by the Community Empowerment (Scotland) Act 2015) details how community planning partners will work together to achieve the key priorities identified for Renfrewshire.

The key outcomes the Council is committed to delivering with its partners, are set out in the Community Plan;

- The Council operates within an established governance framework which incorporates a scheme of delegated functions, financial regulations, standing orders relating to contracts and procedural standing orders. These elements of the framework are kept under regular review by the Council;
- The Council facilitates policy and decision making through a policy board structure. The Council's scheme of decentralisation was reviewed during 2018 and the five Local Area Committees were

replaced with 7 Local Partnerships adopting a more informal and inclusive approach as part of a drive to ensure community voices are heard on local issues and to distribute their delegated resources in accordance with community need identified in their respective local action plans and community plan key priorities;

- Services are able to demonstrate how their own activities link to the Council's vision and priorities through their service improvement plans. Performance management and monitoring of service delivery is reported through policy boards regularly including six monthly updates to the Leadership Board on progress against the implementation of the Council Plan;
- The Corporate Management Team monitors a quarterly scorecard of performance information. The Council regularly publishes information about its performance, e.g. "It's all about you", a publication outlining the performance of the Council published annually. An annual benchmarking report on the performance of the Council is submitted to the Audit, Risk and Scrutiny Board;
- The Council has adopted a code of conduct for its employees. Elected members adhere to the nationally prescribed Code of Conduct for Members. In addition, the Council has in place a protocol for Relationships between Political Groups, Elected Members and Officers;
- The Council's approach to risk management is set out in the risk management strategy and is well embedded. Risks are reported regularly to the Audit, Risk and Scrutiny Board;
- The Director of Finance and Resources is the Council's Senior Information Risk Owner and information risk is monitored through the Information Management and Governance Group and its sub-groups. The Managing Solicitor, Information Governance is the statutory Data Protection Officer;
- Comprehensive arrangements are in place to ensure members and officers are supported by appropriate training and development;

- Registers of interests for elected members and senior officers are maintained and published on the Council's website;
- The Council's arrangements for fraud prevention, detection and investigation are managed through the corporate counter fraud service;
- The Council's approach to 'whistleblowing' is outlined in the policy for expressing concerns outwith line management;
- There are adequate cyber security controls in place including a dedicated cyber security officer and conformance to industry cyber security standards such as Public Services Network (PSN), Payment Card Industry (PCI) and Cyber Essentials;
- Clear and independent governance arrangements are in place with Renfrewshire Leisure Ltd and the Renfrewshire Health and Social Care Partnership with oversight from the Council's Leadership Board.
- Seven Local Partnerships have been established and have identified initial local priorities. Decision making including that relating to relevant grants is delegated to each Local Partnership through a Lead Officer appointed by the Council.

This governance framework has been in place at Renfrewshire Council for the majority of the year ended 31 March 2020. However, the outbreak of Coronavirus and subsequent UK and Scottish Government advice on social distancing required the Council to implement temporary emergency governance structures.

Delegations to officers have been increased temporarily, with any decisions requiring approval by elected members being taken by the Emergencies Board which was established on 20 March 2020. The Council's corporate management team meet on a more regular basis and service leads are directly liaising with the Chief Executive through the Emergency Management Team arrangements.

Other changes included cancellation of council, policy and regulatory boards and local partnership meetings.

Within the 2018/19 report, Audit Scotland concluded that “the Council has appropriate governance arrangements in place that support the scrutiny of decisions, and, it is open and transparent in the way it conducts business”.

### The system of internal financial control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the Council. The system includes:

- Guidance on financial management supported by comprehensive financial regulations and codes;
- Comprehensive budgeting systems, and detailed guidance for budget holders;
- Regular reviews of periodic and annual financial reports which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- The preparation of regular financial reports that indicate actual expenditure against the forecasts;
- Clearly defined capital expenditure guidelines;
- As appropriate, formal project management principles;
- The Chief Finance Officer is the Director of Finance and Resources who complies with the CIPFA Statement on the Role of The CFO in Public Services.

### The role and responsibilities of the Audit Committee and the Chief Auditor

The role of the audit committee is under the remit of the Audit, Risk and Scrutiny Board which is chaired by a member of the opposition; its role includes:

- to approve the internal audit charter and annual internal audit plans;

- to review internal and external audit reports and the main issues arising, including those relating to the annual accounts and seek assurance that action has been taken and make recommendations to the Council where appropriate;
- to receive and consider the Chief Auditor’s annual report, summarising internal audit activity and the level of assurance this provides over the arrangements for internal control, risk management and governance within the Council;
- monitor the performance of internal audit;
- to consider the annual review of the Local Code of Corporate Governance.

The internal audit service operates in accordance with the Public Sector Internal Audit Standards and reports to the Audit, Risk and Scrutiny Board. Internal audit undertakes an annual programme of work, approved by the Board, based on a strategic risk assessment. The Council’s Chief Auditor provides an independent opinion on the adequacy and effectiveness of the governance framework, risk management and internal control. The Council conforms to the requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2019).

Members and officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Council’s Chief Auditor has responsibility to review independently and report to the Audit, Risk and Scrutiny Board annually, to provide assurance on the adequacy and effectiveness of the Local Code and the extent of compliance with it. The Audit, Risk and Scrutiny Board performs a scrutiny role in relation to the application of the Local Code of Corporate Governance and regularly monitors the performance of the Council’s internal audit service.

Internal Audit reporting arrangements include communication of finalised audit engagements, monitoring the progress of agreed management actions and communication of any unacceptable risk identified to the Board.



## Review of effectiveness and continuous improvement

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 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 Auditor's annual report, and reports from the external auditors and other review agencies and inspectorates.

The effectiveness of the governance framework is reviewed annually by the Corporate Management Team, including the use of an annually updated self-assessment tool covering six key areas of governance (this year including the impact on governance of the coronavirus pandemic), as follows:

- Business Planning and Performance Management
- Internal Control Environment
- Budgeting, Accounting and Financial Control
- Risk Management and Business Continuity
- Conflicts of Interest and Gifts and Hospitality
- Impact of coronavirus (COVID-19).

This self-assessment indicated the governance framework is being complied with in all material respects. In addition, the review of the effectiveness of the governance arrangements and the systems of internal control within the group entities places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

The Council has a well embedded approach to continuous improvement through self-assessment. Registered services within education, social care and housing undertake regular self-assessment as part of the delivery of their services, including aspects such as multi agency file reading and practice and improvement groups in place. Staff from across services are also invited to participate in improvement sessions linked to the service improvement plans on

an annual basis, or in relation to specific exercises such as the "Our Values" staff engagement process in 2019. The Council previously utilised the Public Services Improvement Framework and is now piloting a streamlined version of this model with Renfrewshire Community Planning Executive Group. The first stage of this has been completed, with the consensus session to agree improvement actions delayed due to the Coronavirus crisis.

The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities.

There have been specific challenges facing the Council arising from the decision to leave the European Union 'Brexit' and also in responding to the ongoing COVID19 pandemic. The following should be noted:

- The Council concluded its "Better Council" change programme and embarked on a new phase of change, a three-year programme "Right for Renfrewshire". The aim is to ensure the Council continues to be financially sustainable, responsive to changing local demands, and able to deliver services that put people's needs first. The programme will fundamentally look at the Council's purpose, how it operates and the services it delivers, its processes, technology, information and assets, people and structures, and improve every aspect of what it does. The outbreak of the pandemic in March 2020, and the impact of the virus on council services, the need for the Council to focus on immediate emergency response activities and people in our community resulted in a decision being taken to pause the programme and to focus our resources to tackle the crisis. The Council's capital investment programme has also been necessarily disrupted as construction sites have been required to temporarily close, with re-opening subject to strict additional measures in relation to social distancing, etc.
- All essential services are continuing to be delivered through the period of 'lockdown' and business continuity arrangements are in place and

operating highly effectively. There have been no significant changes to internal controls although new and amended processes have been put in place to allow the Council to appropriately respond to the pandemic and support local communities and businesses.

- The Council commenced planning for Brexit during the year and has implemented a specific Brexit risk register which is monitored by the Corporate Management Team. Similarly, there is a risk register in place relating to the pandemic and this is monitored by the Emergency Management Team.

Regular reviews of the Council's arrangements are undertaken by internal audit and overall, the Council's internal financial control arrangements are sound.

As part of the ongoing relationship which is in place under the new best value methodology, Audit Scotland continuously engage with the Council in relation to the improvement plan, regularly attending Council and board meetings and reviewing information provided. Each year Audit Scotland provide an assessment of the ongoing position in relation to best value, within the Annual Audit Report. The Annual Audit Report for 2018/19 was published in October 2019 noted that the Council continues to make good progress in implementing the recommendations from the 2016/17 Best Value and Assurance Report.

Audit Scotland provided an unqualified but modified audit opinion on the 2018/19 annual accounts, highlighting that adequate accounting records in respect of trade receivable and payable balances had not been kept, being largely attributable to the implementation of a new accounting system. Investigation and subsequent audit of this issue resulted in the audited accounts not being approved within the statutory timescales. Audit Scotland in their report on accounts closure detailed that the issue was unusual and uncharacteristic for the Council; and further noted that the Council's response was credible and appropriate.

The programme of work undertaken by internal audit identified 3 occasions where a limited assurance level was given in relation to the internal control, risk management and governance objectives for the specific areas of each audit review. The following areas are those identified as requiring improvement:

- The audit identified that, within the service areas reviewed, there was insufficient evidence available to demonstrate that the Council's Supporting Attendance at Work Policy was being followed consistently. The limited assurance rating should be taken in context of the scope of the review being restricted to a small number of service areas.
- The review identified that there was scope to improve the cloud security control environment; a number of areas identified were already known to management and work was already underway to address these. Recommendations were made in relation to formal Cloud Security Assessments for all contractors. Processes that would benefit from completion and implementation of a formal framework for supplier assurance and performance were also identified. Management have implemented the majority of the recommendations and the remainder will be progressed during the year and followed up as part of the annual audit review.
- The review of a small sample of service areas for compliance with PCI standards identified that card data was found to be stored securely, although some improvements were required in relation to staff awareness training and the processes for dealing with the physical equipment installations. The limited assurance rating should be taken in context of the scope of the review being restricted to a small number of service areas.

At the request of management, reviews have been undertaken in relation to capital and revenue budgetary control within Environment & Infrastructure. Recommendations in relation to project management, oversight, communications and clarification of roles and responsibilities in relation to capital projects have been implemented, and no further action is required. Recommendations in

relation to revenue monitoring are being progressed by management.

Internal audit undertakes an annual exercise to ensure that recommendations arising from internal audit engagements have been implemented by service management and the results are reported to the Audit, Risk and Scrutiny Board (ARSB). This work highlighted that 79% of recommendations were implemented by the due date and a further 2% were deemed to be redundant as a result of new or revised processes being in operation. The remaining 19% had passed their original due date and revised implementation dates have now been set.

Of the 26 recommendations followed up which were deemed to be critical, 21 have been fully implemented and five have been partially implemented. Revised implementation dates have been agreed for each of these recommendations.

It is our view that the Council has in place a sound system of governance, risk management and internal control and that appropriate mechanisms are in place to identify any areas of weakness. This is corroborated by an Annual Assurance Statement prepared by the Council's Chief Auditor stating that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's governance, risk management and internal control framework.

## Action Plan

Following consideration of the review of adequacy and effectiveness the following action plan has been agreed to ensure continual improvement of the Council's governance.

Agreed action	Responsible person	Date
Review of creditor and debtor balances, improved reconciliation process and production of audited annual accounts within statutory timescales	Head of Finance	30 November 2020
Review the arrangements for revenue budget monitoring within Environment & Infrastructure to ensure that they are fit for purpose and there is clarity of roles and responsibilities.	Head of Finance	30 September 2020

The agreed actions will be subject to review to identify the progress being made in implementing them.

## Update on the 2018/19 Action Plan

The 2018/19 Governance Statement identified a number of continuous improvement activities to be taken forward to improve the overall governance, risk management and internal control environment. Progress over the last 12 months against the agreed action plan is detailed below.

Agreed action	Progress Update	Responsible person	Date	Revised Date
<b>Complete Actions</b>				
Pilot the revised Renfrewshire continuous improvement model of self-assessment.	A new model is being piloted with the Community Planning Partnership Executive Group. We are no longer planning to roll out the wider model but will instead focus on staff engagement and involvement in service improvement planning processes.	Head of Policy and Commissioning	March 2020	Complete

Agreed action	Progress Update	Responsible person	Date	Revised Date
Continue to complete the recommendations to ensure full compliance with the PCI DSS standards.	A further audit was undertaken in November 2019, which has identified a small number of devices that require to be removed from the network. Regular scans periodically take place to address any gaps on an ongoing basis.	Head of ICT	Summer 2019	Complete
Undertake a comprehensive review of catering service arrangements for purchasing and stock control and provide training to relevant staff on the revised arrangements.	New processes have been put in place the service is progressively removing cards from site. A small number still require to be removed and the sites are currently closed. All cards will be removed prior to the sites re-opening.	Head of Facilities Management	Spring 2019	Complete
Undertake a comprehensive review of selected inspection service arrangements and update the policy in line with the code of practice.	The New Code of Practice was adopted by the Board and with the recent recruitment of the Inspectors the resources are in place to ensure inspection frequencies are maintained at the required level.	Head of Operations and Infrastructure	Autumn 2019	Complete
Continue the development of the Business World System under the oversight of the Change Advisory Board	A Business World Team have been implemented within ICT and now undertake business as usual activities to continue to deploy Business World Self Service across those Council services and Partner organisations not fully utilising the application, including outstanding core functionality e.g. P2P. They also continue developing and deploying new functionality that delivers organisational benefits in consultation with the Finance & Resources SMT, Partner Organisations and Service Stakeholders.	Business World SRO	Ongoing	Complete
<b>Ongoing Actions</b>				
Review and update where necessary the policy for expressing concerns outwith line management 'whistleblowing' for approval by Board.	The review has been delayed into the new audit year.	Chief Auditor	March 2020	30 September 2020

## Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019/20 provides reasonable and objective assurance that any significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

**Cllr Iain Nicolson**  
Leader of the Council

**Sandra Black**  
Chief Executive

## Remuneration Report

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 requires local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts. All information disclosed in sections three to eight in this Remuneration Report has been 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, the Provost and Senior Councillors

The annual salary of the Leader of the Council and the upper limit for the annual salary of the Provost (or civic head) are set by the Scottish Government in terms of the Local Governance (Scotland) Act 2004 (Remuneration) Regulations 2007, as amended by the Local Governance (Scotland) Act 2004 (Remuneration) Amendment Regulations 2019. The salary for the Leader of the Council in 2019/20 was £34,848 per annum (£33,990 in 2018/19) and the salary for the Provost was £26,136 per annum (£25,493 in 2018/19).

In terms of the same Regulations, the Scottish Government permits Renfrewshire Council to nominate up to fourteen senior councillors (in addition to the Leader of the Council and the Provost), whose salaries in aggregate must not exceed a specified amount, in 2019/20 being £305,746 per annum; and whose salaries individually must be on a specified scale, in 2019/20 £17,470 to £26,136. In May 2017 the Council approved that Renfrewshire would have twelve senior councillors: four Policy Board Conveners (salary of £25,841 per annum in 2019/20); four Regulatory Board Conveners (salary of £21,311 in 2019/20); Chair of Renfrewshire Leisure Board; Chair/Vice-Chair of Integration Joint Board and two Leaders of the Opposition (salary of £21,311 in 2019/20).

### 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. The salaries of the Corporate Directors and Heads of Service are based on a spinal column point model as agreed by the Finance & Resources Policy Board on 14 May 2014. Senior employees receive no other benefits.

Senior employees received a 3.0% pay award in 2019/20.

### 3. Remuneration of Senior Employees

The regulations define a senior employee as any employee who meets one or more of the following criteria:

- has responsibility for the management of the local authority to the extent that the person has power to direct or control the major activities of the authority whether solely or collectively with other persons.
- holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989.
- whose annual remuneration, including any annual remuneration from a local authority subsidiary body is £150,000 or more.

The Council has interpreted the above criteria as including the Chief Executive, Directors and the Chief Executive of Renfrewshire Leisure.

The term 'remuneration' means gross salary, fees and bonuses, allowances and expenses and compensation for loss of office. The table below outlines the remuneration details for senior employees, including prior year figures. The table shows the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2020, whether or not those amounts were actually paid to, or received by, those persons within that period.

2018/19	Senior employees		2019/20		
Total Remuneration £	Name	Post held	Annual Salary £	Election Allowances £	Total Remuneration £
141,802	Sandra Black	Chief Executive	146,056	12,190	158,246
56,815	Shona MacDougall	Director of Environment & Infrastructure Services until 30/09/2018	0	0	0
55,380	Gordon McNeil	Director of Environment & Infrastructure Services from 01/10/2018	116,046	200	116,246
115,507	Mary Crearie	Director of Communities, Housing & Planning Services	118,971	0	118,971
4,693	Alasdair Morrison	Acting Director of Communities, Housing & Planning Services until 15/04/2018	0	0	0
88,629	Peter MacLeod	Director of Children's Services until 06/01/2019	0	0	0
104,132	Steven Quinn	Director of Children's Services from 22/05/2019 ( <i>Acting Director from 09/05/2018 to 02/12/2018 and 07/01/2019 to 21/05/2019</i> )	118,971	200	119,171
115,507	Alan Russell	Director of Finance and Resources	118,971	4,894	123,865
682,465	Total		619,015	17,484	636,499

2018/19	Senior Employees of Subsidiary Bodies		2019/20
Total Remuneration £	Name	Post held	Total Remuneration £
57,004	Joyce McKellar	Chief Executive, Renfrewshire Leisure until 31/10/2018	0
29,920	Victoria Hollows	Chief Executive, Renfrewshire Leisure from 03/12/2018	97,329
20,284	Fiona Naylor	Acting Chief Executive (15/10/2018 to 31/12/2018)	0
107,208	Total		97,329

There were no non-consolidated bonuses or performance-related payments made to any senior officer in 2019/20.

#### 4. Remuneration of Senior Councillors

Under the regulations, remuneration disclosures are to be made for the Leader of the Council, the Civic Head and any councillor designated a Senior Councillor by the Council. The table below shows the relevant amounts, before tax and other deductions, due to, or receivable by, each of the persons named for the year to 31 March 2020, whether or not those amounts were actually paid to, or received by, those persons within that period.

No payments were made in connection with loss of employment or office, nor were any other payments made which are not included in the following table.



2018/19 Senior Councillors			2019/20		
Total £	Name	Position held	Salary, fees and allowances £	Expenses allowance chargeable to UK income tax £	Total £
33,990	Iain Nicolson	Leader Of the Council	34,848	0	34,848
25,837	Lorraine Cameron	Provost	26,136	745	26,881
25,194	Cathy McEwan	Policy Board Convener	25,841	0	25,841
25,194	Marie McGurk	Policy Board Convener	25,841	0	25,841
25,194	Jim Paterson	Policy Board Convener	25,841	0	25,841
25,194	John Shaw	Policy Board Convener	25,841	0	25,841
20,778	John McNaughtan	Regulatory Board Convener	21,311	0	21,311
20,778	Bill Binks	Regulatory Board Convener	21,311	0	21,311
20,778	Jennifer Adam-McGregor	Regulatory Board Convener	21,311	0	21,311
20,778	Andy Steel	Regulatory Board Convener	21,311	0	21,311
25,194	Lisa-Marie Hughes	Chair Renfrewshire Leisure	25,841	0	25,841
25,194	Jacqueline Cameron	Chair/Vice Chair IJB	25,841	0	25,841
21,155	Audrey Doig	Convener Renfrewshire Valuation Joint Board	21,824	0	21,824
20,778	Eddie Devine	Leader of largest opposition group	21,311	0	21,311
20,778	James MacLaren	Leader of 2nd largest opposition group	21,311	0	21,311
356,814	Total		365,720	745	366,465

## 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.

From 1 April 2015 benefits for local government employees are based on career average pay. Pension benefits are based on the pay received for each year in the scheme increased by the increase in the cost of living, as measured by the appropriate index (or indices). The scheme's normal retirement age is linked to the state pension age of each member.

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 members contribution rates are as follows:



Tiered contribution rates on whole time pay 2019/20		Equivalent bandings for 2018/19
Up to £21,800	5.5%	Up to £21,300
£21,801 to £26,700	7.25%	£21,300 to £26,100
£26,701 to £36,600	8.5%	£26,100 to £35,700
£36,601 to £48,800	9.5%	£35,700 to £47,600
Over £48,801	12%	Over £47,601

If a person works part-time their contribution rate will be based on their part-time pay.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/49<sup>th</sup> of pensionable pay for each year of membership, adjusted in line with the cost of living (prior to 2015

the accrual rate guaranteed a pension based on 1/60<sup>th</sup> of final pensionable salary).

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

The pension entitlements for Senior Employees and Senior Councillors for the year to 31 March 2020 are shown in the table below, together with the contribution made by the Council to each individual's pension during the year.

Senior employees							
Name	Post held	In-year pension contributions by Renfrewshire Council		Accrued pension benefits as at 31 March 2020		Change in accrued pension benefits since 31 March 2019	
		2019/20	2018/19	Pension	Lump Sum	Pension	Lump Sum
		£	£	£000	£000	£000	£000
Sandra Black	Chief Executive	28,223	27,413	81	143	8	4
Mary Crearie	Director of Communities, Housing & Planning Services	22,994	22,325	53	79	6	2
Shona MacDougall	Director of Environment & Infrastructure Services until 30/09/2018	0	11,022	n/a	n/a	n/a	n/a
Gordon McNeil	Director of Environment & Infrastructure Services from 01/10/2018	22,427	10,718	31	30	5	4
Peter MacLeod	Director of Children's Services until 06/01/2019	0	17,105	n/a	n/a	n/a	n/a
Alasdair Morrison	Acting Director of Communities, Housing & Planning Services until 15/04/2018	0	906	n/a	n/a	n/a	n/a
Steven Quinn	Director of Children's Services from 22/05/2019 ( <i>Acting Director from 09/05/2018 to 02/12/2018 and 07/01/2019 to 21/05/2019</i> )	23,444	20,130	16	0	5	0
Alan Russell	Director of Finance and Resources	22,994	22,325	50	71	5	2
<b>Total</b>		<b>120,082</b>	<b>131,944</b>	<b>231</b>	<b>323</b>	<b>29</b>	<b>12</b>

Senior Employees of Subsidiary Bodies							
Name	Post held	In-year pension contributions by Renfrewshire Leisure		Accrued pension benefits as at 31 March 2020		Change in accrued pension benefits since 31 March 2019	
		2019/20 £	2018/19 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Joyce McKellar	Chief Executive, Renfrewshire Leisure until 31/10/2019	n/a	10,988	n/a	n/a	n/a	n/a
Victoria Hollows	Chief Executive, Renfrewshire Leisure from 03/12/2019	18,338	5,812	3	0	2	0
Fiona Naylor	Acting Chief Executive (15/10/2018 to 31/12/2019)	n/a	3,778	n/a	n/a	n/a	n/a
Total		18,338	20,578	3	0	2	0

Leader of the Council, Provost, Senior councillors							
Name	Post held	In-year pension contributions by Renfrewshire Council		Accrued pension benefits as at 31 March 2020		Change in accrued pension benefits since 31 March 2019	
		2019/20 £	2018/19 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Iain Nicolson	Leader Of the Council	6,747	6,576	7	2	2	0
Cathy McEwan	Policy Board Convener	5,003	4,874	4	0	1	0
Marie McGurk	Policy Board Convener	5,003	4,874	2	0	1	0
Jim Paterson	Policy Board Convener	5,003	4,874	2	0	1	0
John Shaw	Policy Board Convener	5,003	4,874	2	0	1	0
Lisa-Marie Hughes	Chair Renfrewshire Leisure	5,003	4,874	2	0	1	0
Jacqueline Cameron	Chair/Vice Chair Integration Joint Board	5,003	4,874	2	0	1	0
John McNaughtan	Regulatory Board Convener	4,126	4,020	2	0	1	0
Jennifer Adam-McGregor	Regulatory Board Convener	4,126	4,020	2	0	1	0
Andy Steel	Regulatory Board Convener	4,126	4,020	2	0	1	0
Eddie Devine	Leader of largest opposition	4,126	4,020	5	1	0	0
James MacLaren	Leader of 2nd largest opposition group	4,126	4,020	3	0	0	0
Total		57,395	55,920	35	3	11	0

Any senior employees and councillors omitted from the tables above are not members of the Local Government Pension Scheme (LGPS).

## 6. Councillors' remuneration

The Council paid the following amounts to its elected members (councillors) during the year.

2018/19 £		2019/20 £
798,473	Salaries	836,165
3,046	Travel costs – reimbursed	2,395
13,262	Travel costs – paid directly by the Council	13,533
106	Subsistence expenses - accommodation	689
25	Subsistence expenses - meals	42
890	Training and Conferences	1,741
0	Telephone and information technology expenses – reimbursed	60
4,925	Telephone and information technology expenses – paid directly by the Council	9,029
344	Other allowances and expenses	745
<b>821,071</b>	<b>Total</b>	<b>864,399</b>

The public record of members' salaries, allowances and expenses for 2019/20 is available for inspection on the Register of Councillors' Interests page of the Council's website and navigating to: [Your Council>Councillors> Record of allowances and expenses and training register](#).

## 7. Remuneration of Employees

The following table gives a statement of the number of employees whose remuneration, excluding pension contributions, was in excess of £50,000 during 2019/20, in bands of £5,000; and also details of the number of those employees highlighted who left the employment of the Council during 2019/20. This information includes those senior employees who are subject to the fuller disclosure requirements in the tables above. Note that leavers may be included due to retirement or redundancy costs. Bands with nil employees for both years are not shown.

2018/19			Remuneration band	2019/20		
Teachers	Non-teachers	Total		Teachers	Non-teachers	Total
88	53	141	£50,000 to £54,999	148	56	204
66	29	95	£55,000 to £59,999	85	57	142
8	34	42	£60,000 to £64,999	64	16	80
2	3	5	£65,000 to £69,999	6	27	33
6	2	8	£70,000 to £74,999	3	4	7
1	4	5	£75,000 to £79,999	5	5	10
2	1	3	£80,000 to £84,999	2	3	5
0	9	9	£85,000 to £89,999	3	2	5
0	2	2	£90,000 to £94,999	0	9	9
0	5	5	£95,000 to £99,999	0	3	3
0	0	0	£100,000 to £104,999	0	2	2
0	0	0	£105,000 to £109,999	1	0	1
0	1	1	£110,000 to £114,999	0	0	0
0	2	2	£115,000 to £119,999	0	4	4
0	1	1	£140,000 to £144,999	0	0	0
0	0	0	£145,000 to £149,999	0	1	1
<b>173</b>	<b>146</b>	<b>319</b>		<b>317</b>	<b>189</b>	<b>506</b>

Of the staff noted above, four are included because they left during the year and their termination payments pushed their remuneration over the £50k threshold (three in 2018/19). Most Teachers received pay inflation in 2019/20 of 7%, which resulted in many employees newly exceeding the £50k threshold.

## 8. Exit Packages

The Council has agreed a number of exit packages in 2019/20 as detailed in the table below. The exit packages agreed were all on a voluntary basis; there were no compulsory redundancies. The Council only agrees exit packages where they are consistent with wider workforce planning and service delivery objectives; and where the savings accruing from an individual ceasing employment with the Council are sufficient to pay back the costs of the exit package within an acceptable period. The assessment of the payback period takes account of the total costs of the exit package.

The total exit package costs in the table below include redundancy, pension strain and compensatory lump sum payments; and also, the notional capitalised costs of compensatory added years. These notional costs are not based on actual costs, but are the estimated present value of projected costs over the lifetime of the individuals in receipt of the exit package, based on the following assumptions:

	2019/20	2018/19
Future Life expectancy at age 65 – males	22.2 years	23.4 years
Future Life expectancy at age 65 – females	24.6 years	25.8 years
Pension increase rate	1.9%	2.5%
Discount Rate	2.3%	2.4%

Exit Package Cost	2018/19		2019/20	
	Number of Employees	Value £m	Number of Employees	Value £m
£0 - £20,000	10	0.086	91	0.770
£20,001 - £40,000	3	0.065	27	0.778
£40,001 - £60,000	2	0.098	14	0.701
£60,001 - £80,000	0	0.000	17	1.207
£80,001 - £100,000	2	0.173	8	0.728
£100,001 - £150,000	10	1.256	12	1.517
£150,001 - £200,000	5	0.879	10	1.796
£200,001 - £250,000	5	1.120	3	0.666
£250,001 - £300,000	0	0.000	3	0.795
£300,001 - £350,000	0	0.000	1	0.318
<b>Total</b>	<b>37</b>	<b>3.677</b>	<b>186</b>	<b>9.276</b>

## 9. Trade Union Facility Time

Renfrewshire Council recognises that it is to the mutual benefit of the Council and its employees that employees are represented by Trade Unions. The Council is committed to the principle of collective bargaining at both national and local level. The Council recognises the key role of Trade Unions in promoting and developing good employee relations and health and safety practices.

The Trade Union (Facility Time Publication Requirements) Regulations 2017, requires public sector employers to publish information relating to facility time taken by union representatives.

Trade Union (TU) representative	
Number of employees who were relevant union officials during the period	54
FTE employee number	53.53

Percentage of pay bill spent on facility time	
Total cost of facility time	£365,207
Total pay bill	£257,097,745
Percentage of the total pay bill spent on facility time	0.14%

Percentage of time spent on facility time		
Number of representatives		% time
	14.00	0%
	35.00	1% - 50%
	3.00	51% - 99%
	2.00	100%

Paid Trade Union activities	
Time spent on paid TU activities as a percentage of total paid facility time hours	28.25%

**Cllr Iain Nicolson**  
Leader of the Council

**Sandra Black**  
Chief Executive

# Independent Auditor's Report to the members of Renfrewshire Council and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Renfrewshire Council and its group for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the council-only and group Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets and Cash Flow Statements, the council-only Housing Revenue Account, Council Tax Income Account, Non Domestic Rates Income Account and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Renfrewshire Council and its group as at 31 March 2020 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is 2 years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of matter: valuation of land and buildings

I draw attention to Note 34 in the financial statements, 'Judgements in Applying Accounting Policies', which describes the effects of material uncertainties, caused by Covid-19, declared in the valuation report for Land and Buildings. My opinion is not modified in respect of this matter.

### Conclusions relating to going concern basis of accounting

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

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

### Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

## **Responsibilities of the Director of Finance and Resources and Audit, Risk and Scrutiny Board for the financial statements**

As explained more fully in the Statement of Responsibilities, the Director of Finance and Resources is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as Director of Finance and Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Resources is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit, Risk and Scrutiny Board is responsible for overseeing the financial reporting process.

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

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

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

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

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

## **Report on other requirements**

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

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

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

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

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

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

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

I have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

**Use of my report**

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

John Cornett FCPFA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow G2 1BT



## Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing the Council during the year. It includes, on an accruals basis, all of the Council's day-to-day expenses and related income. It also includes transactions measuring the value of non-current assets actually consumed during the year and the real projected value of retirement benefits earned by employees during the year. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that Councils need to take into account when setting the annual council tax charge. The required adjustments between accounting basis and funding basis under regulations are shown in the Movement in Reserves Statement.

2018/19			Note	2019/20		
Gross expenditure £m	Gross income £m	Net expenditure £m		Gross expenditure £m	Gross income £m	Net expenditure £m
211.227	(18.119)	193.108		230.636	(27.504)	203.132
125.509	(115.190)	10.319		116.119	(106.472)	9.647
88.432	(22.387)	66.045		83.743	(13.650)	70.093
55.686	(6.865)	48.821		58.774	(7.901)	50.873
31.601	(8.073)	23.528		32.457	(7.002)	25.455
25.738	(13.577)	12.161		6.812	(13.003)	(6.191)
195.171	(124.484)	70.687		206.913	(131.240)	75.673
<b>733.364</b>	<b>(308.695)</b>	<b>424.669</b>		<b>735.454</b>	<b>(306.772)</b>	<b>428.682</b>
3.007	0.000	3.007		0.000	(0.651)	(0.651)
24.813	(1.170)	23.643	2	26.590	(1.118)	25.472
0.000	(409.399)	(409.399)	4	0.000	(427.986)	(427.986)
<b>761.184</b>	<b>(719.264)</b>	<b>41.920</b>		<b>762.044</b>	<b>(736.527)</b>	<b>25.517</b>
		(16.672)	(Surplus)/Deficit on the revaluation of non-current assets		8	(102.530)
		0.639	Impairment (gain)/loss on non-current assets charged to the Revaluation Reserve		8	0.000
		(0.139)	(Surplus)/Deficit from investments in equity instruments designated as Fair Value through Other Comprehensive Income		8	0.111
		79.998	Actuarial (gain)/loss on pension assets and liabilities		29	(140.142)
		<b>63.826</b>	<b>Other comprehensive (income) and expenditure</b>			<b>(242.561)</b>
		<b>105.746</b>	<b>Total comprehensive (income) and expenditure</b>			<b>(217.044)</b>

## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (those reserves that can be applied to fund expenditure or to reduce local taxation) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost of providing the Council's services, more details of which are shown in the CIES. 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 purposes. The net increase or (decrease) before transfers to other statutory reserves line shows the statutory General Fund Balance and the Housing Revenue Account Balance before any discretionary transfers to or from the other statutory reserves of the Council.

	General Fund Balance	Housing Revenue Account	Revenue statutory funds	Capital Funds	Total Usable Reserves	Unusable Reserves	Total reserves
Note	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2019	59.144	6.807	2.858	85.797	154.606	747.199	901.805
<b>Movement in reserves during the year</b>							
Total Comprehensive Income and Expenditure	(17.242)	(8.275)	0.000	0.000	(25.517)	242.561	217.044
Transfers to or (from) other statutory reserves	7 (0.000)	0.000	0.000	0.000	0.000	0.000	0.000
Adjustments between accounting basis and funding basis under regulations	6 12.909	8.275	0.000	9.348	30.532	(30.532)	0.000
Increase / (Decrease) in year	(4.333)	0.000	0.000	9.348	5.015	212.029	217.044
<b>Balance at 31 March 2020</b>	<b>54.811</b>	<b>6.807</b>	<b>2.858</b>	<b>95.145</b>	<b>159.621</b>	<b>959.228</b>	<b>1,118.849</b>

<b>Comparative movements in 2018/19</b>	General Fund Balance	Housing Revenue Account	Revenue statutory funds	Capital Funds	Total usable reserves	Unusable reserves	Total reserves
Note	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2018	45.208	6.807	2.858	94.534	149.407	858.144	1,007.551
<b>Movement in reserves during the year</b>							
Total Comprehensive Income and Expenditure	(36.351)	(5.569)	0.000	0.000	(41.920)	(63.826)	(105.746)
Transfers to or (from) other statutory reserves	7 6.062	0.000	0.000	(6.062)	0.000	0.000	0.000
Adjustments between accounting basis and funding basis under regulations	6 44.225	5.569	0.000	(2.675)	47.119	(47.119)	0.000
Increase / (Decrease) in year	13.936	0.000	0.000	(8.737)	5.199	(110.945)	(105.746)
<b>Balance at 31 March 2019</b>	<b>59.144</b>	<b>6.807</b>	<b>2.858</b>	<b>85.797</b>	<b>154.606</b>	<b>747.199</b>	<b>901.805</b>

## Balance Sheet

The balance sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Council. The net assets of the Council are matched by the reserves held by the Council. Reserves are reported in two categories. The first category comprises usable reserves, which are reserves that the Council 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 Receipts Reserve, which may only be used to fund capital expenditure or to repay debt). The second category of reserves comprises those that the Council is not able to use to provide services. This category includes reserves that hold unrealised gains and losses in the value of assets (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold, and reserves that hold differences shown as 'adjustments between accounting basis and funding basis under regulations' in the Movement in Reserves Statement.

As at 31 March 2019 (restated) £m	Note	As at 31 March 2020 £m
1,340.737	Property, plant and equipment 9	1,471.547
39.303	Heritage assets 12	39.303
1.601	Investment property 10	1.502
5.845	Intangible assets 13	5.037
3.785	Long-term investments 23	10.789
2.614	Long-term debtors 19	2.172
<b>1,393.885</b>	<b>Long-term assets</b>	<b>1,530.350</b>
1.500	Assets held for sale 11	0.700
0.037	Short-term intangible assets 17	0.000
103.292	Short-term investments 23	86.341
1.120	Inventories 18	0.989
44.037	Short-term debtors 19	49.602
46.342	Cash and cash equivalents 20	12.696
<b>196.328</b>	<b>Current assets</b>	<b>150.328</b>
(72.438)	Short-term borrowing 23	(53.227)
(93.981)	Short-term creditors 21	(78.248)
(0.096)	Short-term provisions 22	(0.277)
<b>(166.515)</b>	<b>Current liabilities</b>	<b>(131.752)</b>
(71.442)	Long-term creditors 21	(75.313)
(5.420)	Long-term provisions 22	(4.745)
(168.357)	Long-term borrowing 23	(187.497)
(276.674)	Other long-term liabilities 29	(162.522)
<b>(521.893)</b>	<b>Long-term liabilities</b>	<b>(430.077)</b>
<b>901.805</b>	<b>Net assets</b>	<b>1,118.849</b>
(154.606)	Usable reserves 7	(159.621)
(747.199)	Unusable reserves 8	(959.228)
<b>(901.805)</b>	<b>Total reserves</b>	<b>(1,118.849)</b>

**Alan Russell CPFA**  
Director of Finance  
and Resources

The unaudited accounts were issued on 25 June 2020 and the audited accounts were authorised for issue on the signature date shown.

## Cashflow Statement

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

2018/19 £m		2019/20 £m
(41.920)	Net surplus/(deficit) on the provision of services	(25.517)
	<b>Adjustment for non-cash movements:</b>	
73.865	Depreciation, amortisation, impairment and revaluations	62.661
22.927	Increase/(decrease) in creditors	2.660
11.722	(Increase)/decrease in debtors	(5.086)
(0.363)	(Increase)/decrease in inventories	0.131
36.210	Pension (liability)/asset	25.990
5.941	Carrying amount of non-current assets sold	1.487
(0.564)	Other non-cash items charged to the net surplus or deficit on the provision of services	(0.525)
(33.812)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(38.435)
74.006	Net cash flows from operating activities	23.366
	<b>Net cash flows from investing activities :</b>	
(66.544)	Purchase of property, plant and equipment, investment property and intangible assets	(102.406)
(5.308)	Purchase of short-term and long-term investments	0.000
2.932	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	2.140
0.000	Proceeds from short-term and long-term investments	9.947
30.880	Other receipts from investing activities	36.295
	<b>Net cash flows from financing activities</b>	
0.327	Cash receipts of short-term and long-term borrowing	0.000
(2.904)	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI /PPP contracts	(2.917)
0.000	Repayment of short-term and long-term borrowing	(0.071)
33.389	Net increase/(decrease) in cash and cash equivalents	(33.646)
12.953	Cash and cash equivalents at the beginning of the reporting period	46.342
46.342	Cash and cash equivalents at the end of the reporting period	12.696

The Net cash flow from operating activities above includes the following elements of interest paid and received:

2018/19 £m	Interest Paid and Received	2019/20 £m
(1.170)	Interest received	(1.118)
11.122	Interest paid	10.588
5.741	Interest element of finance lease and PPP payments	5.525
15.693		14.995

## Note 1: Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and non-domestic rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the Council's service departments. Income and expenditure accounted for under generally accepted account practices is presented more fully in the CIES.

2019/20	Net Expenditure chargeable to the General Fund and HRA £m	Adjustments between Funding and Accounting basis £m	Net Expenditure in the CIES £m
Children's Services	193.278	9.854	203.132
Communities, Housing & Planning	12.702	(3.055)	9.647
Environment & Infrastructure	48.073	22.020	70.093
Finance & Resources	36.030	14.843	50.873
Chief Executive's Service	21.249	4.206	25.455
Miscellaneous Services	32.402	(38.593)	(6.191)
Adult Services	70.685	4.988	75.673
<b>Net cost of services</b>	<b>414.419</b>	<b>14.263</b>	<b>428.682</b>
Other income and expenditure	(410.086)	6.921	(403.165)
<b>(Surplus) / Deficit</b>	<b>4.333</b>	<b>21.184</b>	<b>25.517</b>
Opening General Fund and HRA balance	(65.951)		
Less (Surplus) / Deficit in the year	4.333		
<b>Closing General Fund and HRA at 31 March*</b>	<b>(61.618)</b>		

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

2019/20	Adjustments for capital purposes £m	Net change for the pensions adjustments £m	Other differences £m	Total Adjustments £m
Children's Services	18.896	8.908	(17.950)	9.854
Communities, Housing & Planning Services	10.443	2.584	(16.082)	(3.055)
Environment & Infrastructure	7.235	6.291	8.494	22.020
Finance & Resources	3.336	6.243	5.264	14.843
Chief Executive's Service	2.703	1.684	(0.181)	4.206
Miscellaneous Services	(10.941)	(12.012)	(15.640)	(38.593)
Adult Services	0.000	5.229	(0.241)	4.988
<b>Net cost of services</b>	<b>31.672</b>	<b>18.927</b>	<b>(36.336)</b>	<b>14.263</b>
Other income and expenditure	(36.946)	7.063	36.804	6.921
<b>Total adjustments between accounting basis and funding basis</b>	<b>(5.274)</b>	<b>25.990</b>	<b>0.468</b>	<b>21.184</b>

- Adjustments for capital purposes: adds in depreciation, impairment and revaluation gains and losses to the service net expenditure including income on the disposal of assets and the amounts written off for those assets and the statutory charges for capital financing and capital grants which are not chargeable under generally accepted accounting practices.

- Net change for the pensions adjustments: removes employer pension contributions as allowed by statute and replaces with the current and past service costs within the IAS 19 employee benefits pension related expenditure and income. The net interest on the defined benefit liability is also included as charged to the CIES.
- Other differences: any other differences between those amounts debited or credited to the CIES and amounts payable or receivable to be recognised under statute, including those primarily involved in the financial instruments adjustment account, the employee statutory adjustment account and other statutory funds. Any other non-statutory adjustments would also be included here.

2018/19	Net Expenditure chargeable to the General Fund and HRA £m	Adjustments between Funding and Accounting basis £m	Net Expenditure in the CIES £m
Children's Services	172.351	20.757	193.108
Communities, Housing & Planning	12.514	(2.195)	10.319
Environment & Infrastructure	47.071	18.974	66.045
Finance & Resources	34.720	14.101	48.821
Chief Executive's Service	22.131	1.397	23.528
Miscellaneous Services	23.535	(11.374)	12.161
Adult Services	67.200	3.487	70.687
Net cost of services	379.522	45.147	424.669
Other income and expenditure	(385.458)	2.709	(382.749)
(Surplus) / Deficit	(5.936)	47.856	41.920
Opening General Fund and HRA balance	(52.015)		
Less (Surplus) / Deficit in the year	(5.936)		
Add other items not charged to the Surplus / (Deficit)	(8.000)		
Closing General Fund and HRA at 31 March*	(65.951)		

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

2018/19	Adjustments for capital purposes £m	Net change for the pensions adjustments £m	Other differences £m	Total Adjustments £m
Children's Services	24.080	5.307	(8.630)	20.757
Communities, Housing & Planning Services	10.644	2.581	(15.420)	(2.195)
Environment & Infrastructure	8.566	4.030	6.378	18.974
Finance & Resources	4.880	4.052	5.169	14.101
Chief Executive's Service	0.169	1.044	0.184	1.397
Miscellaneous Services	(16.677)	10.873	(5.570)	(11.374)
Adult Services	0.000	3.513	(0.026)	3.487
Net cost of services	31.662	31.400	(17.915)	45.147
Other income and expenditure	(16.879)	4.810	14.778	2.709
Total adjustments between accounting basis and funding basis	14.783	36.210	(3.137)	47.856

## Note 2: Financing and investment income and expenditure

2018/19 £m		2019/20 £m
20.003	Interest payable and similar charges	19.527
4.810	Net interest on the net defined benefit liability	7.063
(1.045)	Interest receivable and similar income	(1.078)
(0.125)	Income and expenditure in relation to investment properties and changes in their fair values	(0.040)
23.643	<b>Total</b>	<b>25.472</b>

## Note 3: Expenditure and income analysed by nature

This note presents the subjective analysis of expenditure and income shown by operational service area in the CIES.

2018/19 £m		Note	2019/20 £m
	<b>Expenditure</b>		
295.376	Employee benefits expenses		308.455
364.123	Other service expenses		364.338
73.865	Depreciation, amortisation, impairment		62.661
24.813	Interest Payments	2	26.590
3.007	Loss on the disposal of assets	8	0.000
761.184	<b>Total expenditure</b>		<b>762.044</b>
	<b>Income</b>		
(308.695)	Fees, charges and other service income		(306.772)
(1.170)	Interest and investment income	2	(1.118)
0.000	Gain on the disposal of assets	8	(0.651)
(195.504)	Income from council tax and non-domestic rates	4	(183.102)
(213.895)	Government grants and contributions	4	(244.884)
(719.264)	<b>Total income</b>		<b>(736.527)</b>
41.920	<b>(Surplus) or deficit on the provision of services</b>		<b>25.517</b>

## Note 4: Taxation and non-specific grant income

2018/19 £m		2019/20 £m
(75.399)	Income from Council Tax and community charge	(78.685)
(120.105)	Distribution from the national non-domestic rate pool	(104.417)
(183.015)	General Revenue Grant from the Scottish Government	(208.589)
(30.880)	Capital grants and contributions	(36.295)
(409.399)	<b>Total</b>	<b>(427.986)</b>



## Note 5: Grant income

The Council credited the following grants, contributions and donations direct to services in the CIES during 2019/20.

2018/19 £m		2019/20 £m
58.937	Housing benefit	51.368
0.778	Housing benefit and Council Tax administration	0.347
0.347	Discretionary Housing Payment	0.146
0.900	Private sector housing grant	0.500
0.640	Education Maintenance Allowance	0.600
0.020	Gaelic Education	0.017
0.018	School Milk	0.021
4.272	Pupil Equity Fund	4.273
2.667	Early Years Expansion	11.537
5.662	Other Education	6.788
3.172	Children's Services	2.568
12.254	Adult Services	12.771
2.576	Employability	4.426
2.131	Other grants	1.154
94.374	Total	96.516

## Note 6: Adjustment between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

The first table outlines the current year position and the second table outlines the comparative prior year position.

2019/20	Usable reserves				Unusable reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Statutory Funds	Capital Receipts Reserve	
	£m	£m	£m	£m	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation and impairment of non-current assets	(36.468)	(25.268)	0.000	0.000	61.736
Revaluation losses on property, plant and equipment	0.000	0.000	0.000	0.000	0.000
Movements in the market value of investment property	0.000	0.000	0.000	0.000	0.000
Amortisation of intangible assets	(0.925)	0.000	0.000	0.000	0.925
Capital grants and contributions applied	32.558	3.737	0.000	0.000	(36.295)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	1.557	(0.906)	0.000	0.000	(0.651)
Insertion of items not charged to the CIES:					
Statutory provision for the repayment of Loans Fund & Finance Lease principal	4.105	15.670	0.000	0.000	(19.775)
Capital expenditure charged against the General Fund and HRA Balances	11.214	0.000	(7.912)	0.000	(3.302)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	0.000	0.000	0.000	(2.140)	2.140
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	0.704	(0.704)
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.304	0.192	0.000	0.000	(0.496)
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(53.114)	(2.912)	0.000	0.000	56.026
Employer’s pension contributions and direct payments to pensioners payable in the year	28.879	1.157	0.000	0.000	(30.036)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1.019)	0.055	0.000	0.000	0.964
Total adjustments	(12.909)	(8.275)	(7.912)	(1.436)	30.532

2018/19	Usable reserves				Unusable reserves  £m
	General Fund Balance £m	Housing Revenue Account £m	Capital Statutory Funds £m	Capital Receipts Reserve £m	
Adjustments primarily involving the Capital Adjustment Account:					
Reversal of items charged to the CIES:					
Charges for depreciation and impairment of non-current assets	(45.334)	(28.331)	0.000	0.000	73.665
Amortisation of intangible assets	(0.200)	0.000	0.000	0.000	0.200
Capital grants and contributions applied	25.249	5.631	0.000	0.000	(30.880)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the CIES	(3.289)	0.282	0.000	0.000	3.007
Insertion of items not charged to the CIES:					
Statutory provision for the repayment of Loans Fund & Finance Lease principal	9.251	18.537	0.000	0.000	(27.788)
Capital expenditure charged against the General Fund and HRA Balances	3.421	0.000	3.075	0.000	(6.496)
Adjustments primarily involving the Capital Receipts Reserve:					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the CIES	0.000	0.000	0.000	(2.932)	2.932
Use of the Capital Receipts Reserve to finance new capital expenditure	0.000	0.000	0.000	2.532	(2.532)
Adjustment primarily involving the Financial Instruments Adjustment Account:					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.263	0.234	0.000	0.000	(0.497)
Adjustments primarily involving the Pension Reserve:					
Reversal of items relating to retirement benefits debited or credited to the CIES	(61.538)	(2.884)	0.000	0.000	64.422
Employer’s pension contributions and direct payments to pensioners payable in the year	27.151	1.061	0.000	0.000	(28.212)
Adjustment primarily involving the Employee Statutory Adjustment Account:					
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	0.801	(0.099)	0.000	0.000	(0.702)
Total adjustments	(44.225)	(5.569)	3.075	(0.400)	47.119

## Note 7: Usable reserves

Usable reserves are those reserves the Council is able to apply to fund expenditure or reduce taxation, and comprise both capital and revenue reserves. Movements in the revenue reserves during the year are outlined in the Movement in Reserves Statement, however a summary is shown below.

More information about the Housing Revenue Account can be found on page 86.

2018/19 £m		2019/20 £m
(59.144)	General Fund Balance	(54.811)
(6.807)	Housing Revenue Account Balance	(6.807)
(8.017)	Capital Receipts Reserve	(9.453)
(80.638)	Other Statutory Funds	(88.550)
(154.606)	<b>Total</b>	<b>(159.621)</b>

This note sets out the amounts set aside from the General Fund Balance in statutory funds established under Schedule 3 of the Local Government (Scotland) Act 1975 to provide financing for specific areas of expenditure, and the amounts transferred back from these funds to meet General Fund expenditure in 2019/20.

	Balance at 1 April 2018 £m	Transfers out £m	Transfers in £m	Balance at 31 March 2019 £m	Transfers out £m	Transfers in £m	Balance at 31 March 2020 £m
Insurance Fund	2.543	0.000	0.000	2.543	0.000	0.000	2.543
Reservoir Repair Fund	0.315	0.000	0.000	0.315	0.000	0.000	0.315
Revenue statutory funds	2.858	0.000	0.000	2.858	0.000	0.000	2.858
Education Capital Items Fund	1.132	(0.331)	0.246	1.047	(0.429)	0.439	1.057
Investment Capital Fund	85.785	(11.075)	2.023	76.733	(0.849)	8.751	84.635
Capital statutory funds	86.917	(11.406)	2.269	77.780	(1.278)	9.190	85.692
<b>Total</b>	<b>89.775</b>	<b>(11.406)</b>	<b>2.269</b>	<b>80.638</b>	<b>(1.278)</b>	<b>9.190</b>	<b>88.550</b>

- The Insurance Fund is the funding mechanism for the control of insurable risk and covers the main classes of insurance. It is earmarked for premiums and self-funded insurance costs.
- The Reservoir Repair Fund is funding received from a contractor for repairs in perpetuity to the Thornly Dam.
- The Education Capital Items Fund is earmarked funding for specific schools to be used in 2020/21 for planned purchases of a capital nature, such as computers and information communication technology equipment.
- The Investment Capital Fund represents planned funding earmarked to support the Council's investment programme and the wider strategic management of the Council's associated debt profile.
- In addition to the capital statutory funds above the Capital Receipts Reserve is also a statutory fund. The Capital Receipts Reserve holds cash receipts from asset sales and is used to fund planned capital expenditure.

	Balance at 1 April 2018 £m	Sale proceeds £m	Capital exp funded £m	Balance at 31 March 2019 £m	Sale proceeds £m	Capital exp funded £m	Balance at 31 March 2020 £m
Capital Receipts Reserve	7.617	2.932	(2.532)	8.017	2.140	(0.704)	9.453

### Ring-fenced elements of the General Fund Balance

The following note sets out the amounts within the General Fund Balance that the Council has ring-fenced for future expenditure plans. The unallocated balance of £6.599m represents 1.6% of the Council's net annual running costs.

	Balance at 1 April 2018 £m	Transfers out £m	Transfers in £m	Balance at 31 March 2019 £m	Transfers out £m	Transfers in £m	Balance at 31 March 2020 £m
Service Modernisation and Reform Fund	3.681	(1.370)	8.032	10.343	(3.518)	0.003	6.828
PPP Future Replacement Establishment Fund	12.670	0.000	0.000	12.670	0.000	0.000	12.670
M74 Fund	0.566	0.000	0.000	0.566	(0.566)	0.000	0.000
Alcohol and Drugs Commission	0.000	0.000	0.000	0.000	0.000	1.000	1.000
Leisure: Inclusive Play Facility	0.000	0.000	0.000	0.000	0.000	0.050	0.050
School Music Participation Funding	0.000	0.000	0.000	0.000	0.000	0.375	0.375
Development Contribution – Paisley Town Centre	1.059	(0.003)	0.000	1.056	0.000	0.001	1.057
Early Years Change Fund	2.461	(1.410)	0.000	1.051	(1.051)	1.900	1.900
Pupil Equity Fund	1.613	(0.187)	0.000	1.426	0.000	0.044	1.470
Waste Management Strategy	1.783	(1.783)	0.000	0.000	0.000	0.000	0.000
Invest in Renfrewshire	0.479	(0.479)	0.000	0.000	0.000	1.829	1.829
Community Safety	0.031	0.000	0.000	0.031	0.000	0.000	0.031
Private Sector Housing Grant	2.399	0.000	0.288	2.687	(0.114)	0.000	2.573
Paisley Town Centre Heritage Asset Strategy	3.195	(0.693)	0.130	2.632	(0.737)	0.000	1.895
Culture Bid Legacy	1.531	0.000	0.880	2.411	(0.228)	0.737	2.920
City Deal	1.481	(0.208)	0.000	1.273	(0.658)	0.566	1.181
Renfrewshire Health & Social Care Partnership	1.656	(0.424)	0.000	1.232	(1.232)	0.000	0.000
Town Centre Public WiFi	0.503	(0.159)	0.000	0.344	(0.142)	0.000	0.202
Tackling Poverty	0.703	(0.703)	4.002	4.002	(0.998)	0.000	3.004
Employability	0.000	0.000	4.500	4.500	0.000	0.204	4.704
Environment & Place	0.000	0.000	2.500	2.500	(0.500)	0.000	2.000
Digital Infrastructure	0.000	0.000	0.440	0.440	(0.030)	0.000	0.410
Community Empowerment Fund	0.000	0.000	0.472	0.472	(0.040)	0.000	0.432
Kilbarchan AAC	0.000	0.000	0.250	0.250	(0.250)	0.000	0.000
Welfare Reform	0.000	0.000	0.603	0.603	(0.405)	0.000	0.198
British Sign Language	0.000	0.000	0.099	0.099	(0.004)	0.000	0.095
Villages Improvement Fund	0.000	0.000	0.370	0.370	0.000	0.000	0.370
<b>Year end flexibility:</b>							
Children's Services	1.161	(0.112)	0.000	1.049	(0.031)	0.000	1.018
Adult Services	0.010	(0.010)	0.000	(0.000)	0.000	0.000	(0.000)
<b>General Fund Ring-fenced Total</b>	<b>36.982</b>	<b>(7.541)</b>	<b>22.566</b>	<b>52.007</b>	<b>(10.504)</b>	<b>6.709</b>	<b>48.212</b>
Additional Scottish Government Grant - related to 2018/19	1.132	(1.132)	0.000	0.000	0.000	0.000	0.000
Unallocated element of the General Fund Balance	7.094	0.000	0.043	7.137	(0.538)	0.000	6.599
<b>Total General Fund Balance</b>	<b>45.208</b>	<b>(8.673)</b>	<b>22.609</b>	<b>59.144</b>	<b>(11.042)</b>	<b>6.709</b>	<b>54.811</b>

## Note 8: Unusable reserves

Unusable reserves are those reserves that the Council is not able to utilise to provide services, and comprise:

- Reserves that hold unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment and financial instruments, where amounts will only become available to provide services (or limit resources in the case of losses) once the gains or losses are realised as the assets are disposed of. This category of reserves comprises the Revaluation Reserve and the Financial Instruments Revaluation Reserve.
- Adjustment accounts that deal with situations where income and expenditure are recognised according to statutory regulations against the General Fund Balance and the Housing Revenue Account Balance on a different basis from that expected by generally accepted accounting practices. These adjustment accounts will carry either a debit balance (showing that the Council is required by statute to fund its expenditure more slowly than accounting standards would expect) or a credit balance (where the Council has set resources aside under statute earlier than accounting standards require). The adjustment accounts effectively offset the General Fund Balance and the Housing Revenue Account Balance to give the Council more or less spending power in the short term than proper accounting practices would allow. The adjustment accounts comprise the Capital Adjustment Account, the Financial Instruments Adjustment Account, the Capital Receipts Reserve, the Pension Reserve and the Employee Statutory Adjustment Account.

As at 31 March 2019 £m	Unusable Reserves	As at 31 March 2020 £m
(468.331)	Revaluation Reserve	(552.652)
276.674	Pension Reserve	162.522
(574.484)	Capital Adjustment Account	(588.619)
12.918	Financial Instruments Adjustment Account	12.422
(0.598)	Financial Instruments Revaluation Reserve	(0.487)
6.622	Employee Statutory Adjustment Account	7.586
(747.199)	<b>Total Unusable Reserves</b>	<b>(959.228)</b>

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its non-current assets. 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 Revaluation Reserve contains only revaluation gains accumulated since 1 April 2007, which was the date that the Revaluation Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2018/19 £m	Revaluation Reserve	2019/20 £m
(471.731)	Balance at 1 April	(468.331)
(16.672)	Upward revaluation of non-current assets	(102.530)
0.639	Impairment loss on non-current assets charged to the Revaluation Reserve	0.000
17.496	Difference between fair value depreciation and historic cost depreciation written off to the Capital Adjustment Account	17.597
1.937	Accumulated (gains) / losses on disposal of non-current assets transferred to the Capital Adjustment Account	0.612
3.400	Amount posted to the Capital Adjustment Account	(84.321)
(468.331)	Balance at 31 March	(552.652)

## Pension Reserve

The Pension 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 or regulations. The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds. The debit balance on the Pension Reserve shows a significant shortfall in the benefits earned by past and current employees and the Council's share of Strathclyde Pension Fund resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2018/19 £m	Pension Reserve	2019/20 £m
160.466	Balance at 1 April	276.674
79.998	Actuarial (gains) / losses on pension assets and liabilities	(140.142)
64.422	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the CIES	56.026
(28.212)	Employer's pension contributions payable in the year	(30.036)
276.674	Balance at 31 March	162.522

## 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. The Capital Adjustment Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the CIES (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis).

The Capital Adjustment Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.



The Capital Adjustment Account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council, and also revaluation gains accumulated on property, plant and equipment before 1 April 2007. The Revaluation Reserve was created to hold such gains arising from 1 April 2007 onwards.

2018/19 £m	Capital Adjustment Account	2019/20 £m
(567.159)	Balance at 1 April	(574.484)
	<b>Reversal of items relating to capital expenditure charged to the CIES:</b>	
73.665	Charges for depreciation, impairment and revaluation losses of non-current assets	61.736
0.200	Amortisation of intangible assets	0.925
	Revenue expenditure funded from capital under statute	
2.932	Non-current assets sale proceeds	2.140
3.007	(Gain)/Loss on disposal of non-current assets charged to the CIES	(0.651)
(19.433)	Adjusting amounts written out of the Revaluation Reserve	(18.209)
<b>60.371</b>	<b>Net written out amount of non-current assets consumed in the year</b>	<b>45.941</b>
	<b>Capital financing applied in the year:</b>	
(2.532)	Use of the Capital Receipts Reserve to finance new capital expenditure	(0.704)
(30.880)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(36.295)
(27.788)	Loans Fund and Finance Lease principal repayments	(19.775)
(6.496)	Capital expenditure charged against the General Fund and Housing Revenue Account balances	(3.302)
<b>(67.696)</b>		<b>(60.076)</b>
(574.484)	Balance at 31 March	(588.619)

## 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 in accordance with statutory provisions [or regulations]. The Council uses the Financial Instruments Adjustment Account to:

- Manage premiums incurred on the early repayment of borrowings. Generally accepted accounting practices require that premiums are debited to the CIES when they are incurred (except where the loan debt being repaid is exchanged for new loan debt on substantially similar terms). However, statutory arrangements or regulations allow any premiums that would normally require to be taken immediately to the surplus or deficit on the provision of services, to be amortised to the General Fund Balance over the various periods of time as specified in the regulations/statutory guidance. Furthermore, statutory arrangements [or regulations] require that any premiums that were on the Council's balance sheet at 31 March 2007 be amortised to the General Fund Balance over the unexpired term that was outstanding on the associated loans when they were redeemed. The Council had various premiums totalling £17.630m at 31 March 2007 and, under the statutory arrangements, these will be fully amortised to the General Fund Balance by financial year 2053-2054.

- Manage borrowings that were on the Council's balance sheet at 31 March 2007 and that have a stepped interest rate feature. These borrowings comprise five 'Lender option borrower option' (LOBO) loans for which the interest rate was fixed for an initial period, and at a pre-agreed later date the interest rate changed. Generally accepted accounting practices require that interest charges relating to borrowings that have a stepped interest rate feature are debited to the CIES on the basis of a single effective interest rate (EIR) over the expected life of the loans, rather than based on the contractual cash outflows of interest. However, statutory arrangements [or regulations] allow such borrowings that were on the Council's balance sheet at 31 March 2007 to be charged to the General Fund Balance in accordance with the accounting treatment prior to 1 April 2007, which did not require the use of the effective interest rate as the basis for the interest charge.
- Manage 'soft loans' that were on the Council's balance sheet at 31 March 2007. Soft loans are loans advanced by the Council at nil or below prevailing interest rates. Generally accepted accounting practices require that the discounted interest rate is recognised as a reduction in the fair value of the loan, with the difference being debited to the CIES as service expenditure. However, statutory arrangements [or regulations] require that, for soft loans on the Council's balance sheet at 31 March 2007, the reduction in value and corresponding charge to be reversed, so that there is no impact on the General Fund Balance. As at 31 March 2007 interest free loans amounting to £0.156m had been advanced to employees who had had changes implemented to their pay cycle. These loans are repayable when employees leave the Council's employment.

Financial Instruments Adjustment Account	Refinancing premiums and discounts £m	Borrowing on stepped interest rate loans £m	Loans to third parties at less than market rate £m	Total £m
Balance at 1 April 2019	11.966	0.922	0.030	12.918
Premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(0.472)	0.000	0.000	(0.472)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	0.000	(0.021)	(0.003)	(0.024)
Balance at 31 March 2020	11.494	0.901	0.027	12.422

## Financial Instruments Revaluation Reserve

The Financial Instruments Revaluation Reserve contains the gains made by the Council arising from increases in the value of its investments that are measured at fair value through other comprehensive income.

The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost; or
- disposed of and the gains are realised.

2018/19 £m	Financial Instruments Revaluation Reserve	2019/20 £m
(0.459)	Balance at 1 April	(0.598)
(0.139)	Downward/(Upward) revaluation of investments	0.111
(0.598)	Balance at 31 March	(0.487)

## Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for short-term accumulating compensated absences at the end of the financial year.

2018/19 £m	Employee Statutory Adjustment Account	2019/20 £m
7.324	Balance at 1 April	6.622
(7.324)	Settlement or cancellation of accrual made at the end of the prior year	(6.622)
6.622	Amounts accrued at the end of the current year	7.586
6.622	Balance at 31 March	7.586

## Note 9: Property, Plant and Equipment

2019/20	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture and equipment £m	Infrastructure assets £m	Assets under construction £m	Surplus assets £m	Total £m	Of which funded by PPP £m
Gross carrying amount at 1 April 2019	504.680	290.159	544.300	307.221	31.939	28.263	1,706.562	111.448
Assets reclassified (to)/ from the "held for sale" category	0.000	0.000	0.000	0.000	0.000	0.700	0.700	0.000
Other asset reclassifications	6.953	4.313	4.749	0.000	(16.015)	(0.290)	(0.290)	0.000
Additions	9.099	9.179	20.321	10.765	41.229	0.010	90.603	1.851
Disposals	(0.398)	(0.020)	(2.940)	0.000	0.000	(1.100)	(4.458)	0.000
Revaluation increases/(decreases) taken to the Revaluation Reserve	62.489	2.864	7.340	0.000	0.000	(0.001)	72.692	0.000
Revaluation increases/(decreases) recognised in the surplus or deficit on the provision of services	0.000	0.168	(1.193)	0.000	0.000	(0.355)	(1.380)	0.000
<b>Gross carrying amount at 31 March 2020</b>	<b>582.823</b>	<b>306.663</b>	<b>572.577</b>	<b>317.986</b>	<b>57.153</b>	<b>27.227</b>	<b>1,864.429</b>	<b>113.299</b>
Accumulated depreciation and impairment at 1 April 2019	0.000	15.853	202.573	141.800	0.278	5.321	365.825	4.882
Depreciation on other reclassifications	0.000	(0.326)	0.326	0.000	0.000	0.000	0.000	0.000
Depreciation charge for the year	16.823	6.862	33.221	6.443	0.000	0.136	63.485	4.138
Depreciation and impairment on disposals	(0.013)	(0.001)	(2.867)	0.000	0.000	(0.190)	(3.071)	0.000
Depreciation written out to the Revaluation Reserve	(16.810)	(2.703)	(10.237)	0.000	0.000	(0.088)	(29.838)	0.000
Depreciation written out to the surplus or deficit on the provision of services	0.000	(1.692)	(1.817)	0.000	0.000	(0.010)	(3.519)	0.000
<b>Accumulated depreciation and impairment at 31 March 2020</b>	<b>0.000</b>	<b>17.993</b>	<b>221.199</b>	<b>148.243</b>	<b>0.278</b>	<b>5.169</b>	<b>392.882</b>	<b>9.020</b>
<b>Balance sheet net carrying amount at 31 March 2020</b>	<b>582.823</b>	<b>288.670</b>	<b>351.378</b>	<b>169.743</b>	<b>56.875</b>	<b>22.058</b>	<b>1,471.547</b>	<b>104.279</b>
Balance sheet net carrying amount at 1 April 2019	504.680	274.306	341.727	165.421	31.661	22.942	1,340.737	106.566

Additions within 'Vehicles, plant, furniture and equipment' includes the Council's share of the Clyde Valley Waste Recycling Plant at Bargeddie. The value of £5.372m is derived from an interim financial model being developed by the lead authority, North Lanarkshire Council. There is a corresponding liability in the Balance Sheet within Creditors (Note 21) to offset this arrangement, which is similar to a finance lease.

2018/19	Council dwellings £m	Other land and buildings £m	Vehicles, plant, furniture and equipment £m	Infrastructure assets £m	Assets under construction £m	Surplus assets £m	Total £m	Of which funded by PPP £m
Gross carrying amount at 31 March 2019	522.946	287.210	517.446	298.126	37.450	28.463	1,691.641	101.265
Assets reclassified (to)/from the "held for sale" category	0.000	0.000	0.000	0.000	0.000	(1.500)	(1.500)	0.000
Other asset reclassifications	0.048	1.712	23.356	0.000	(31.784)	1.161	(5.507)	0.000
Additions	6.105	10.829	12.306	9.095	26.273	0.000	64.608	0.992
Disposals	(0.495)	(1.670)	(8.551)	0.000	0.000	(1.148)	(11.864)	0.000
Revaluation increases/(decreases) taken to the Revaluation Reserve	(23.924)	(1.271)	8.323	0.000	0.000	2.089	(14.783)	7.318
Revaluation increases/(decreases) recognised in the surplus or deficit on the provision of services	0.000	(6.651)	(8.580)	0.000	0.000	(0.802)	(16.033)	1.873
Gross carrying amount at 31 March 2019	504.680	290.159	544.300	307.221	31.939	28.263	1,706.562	111.448
Accumulated depreciation and impairment at 1 April 2018	0.000	17.130	188.203	135.585	0.000	4.250	345.168	8.083
Depreciation on other reclassifications	0.014	(0.617)	0.561	0.000	0.000	0.042	0.000	0.000
Depreciation charge for the year	17.432	6.812	34.799	6.215	0.000	0.119	65.377	3.637
Depreciation and impairment on disposals	(0.016)	(0.239)	(5.914)	0.000	0.000	(0.005)	(6.174)	0.000
Depreciation written out to the Revaluation Reserve	(17.430)	(3.440)	(10.503)	0.000	0.000	(0.081)	(31.454)	(6.534)
Depreciation written out to the surplus or deficit on the provision of services	0.000	(3.793)	(4.573)	0.000	0.000	(0.030)	(8.396)	(0.304)
Impairment losses taken to the Revaluation Reserve	0.000	0.000	0.000	0.000	0.000	0.639	0.639	0.000
Impairment losses recognised in the surplus or deficit on the provision of services	0.000	0.000	0.000	0.000	0.278	0.387	0.665	0.000
Accumulated depreciation and impairment at 31 March 2019	0.000	15.853	202.573	141.800	0.278	5.321	365.825	4.882
Balance sheet net carrying amount at 31 March 2019	504.680	274.306	341.727	165.421	31.661	22.942	1,340.737	106.566
Balance sheet net carrying amount at 1 April 2018	522.946	270.080	329.243	162.541	37.450	24.213	1,346.473	93.182

## Note 10: Investment properties

The following items of income and expense have been accounted for in the 'Financing and Investment income and expenditure' line in the CIES.

2018/19 £m	Investment Properties	2019/20 £m
(0.111)	Rental income from investment property	(0.139)
(0.111)	Net Loss / (Gain)	(0.139)

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no

contractual obligations to purchase, construct or develop investment property, nor does it have contractual obligations in relation to repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties during the year:

2018/19 £m	Fair Value of Investment Properties	2019/20 £m
1.587	Opening balance at 1 April	1.601
0.014	Net gains or (losses) from fair value adjustments	(0.389)
0.000	Transfers from inventories and property, plant and equipment	0.290
1.601	Closing balance at 31 March	1.502

### Fair Value Hierarchy

Detail of the authority's investment properties and information about the fair value hierarchy as at 31 March 2020 are as follows:

	Quoted Prices in active markets for identical assets (level 1) £m	Other significant observable inputs (level 2) £m	Other significant unobservable inputs (level 3) £m	Fair Value as at 31 March 2020 £m
Commercial Units	0.000	0.310	0.000	0.310
Office Units	0.000	0.060	0.000	0.060
Commercial Sites	0.000	0.973	0.000	0.973
Other	0.000	0.159	0.000	0.159
<b>Total</b>	<b>0.000</b>	<b>1.502</b>	<b>0.000</b>	<b>1.502</b>

### Valuation Techniques used to Determine Level 2 and 3 Fair Values for Investment Properties

Sufficient title and lease information is available in the respect of Investment Properties. This, coupled with knowledge of the rent being achieved, or likely to be achieved, has enabled the market approach to be used in respect of the fair value measurement of Investment Properties.

Market knowledge, through sales evidence of surplus development sites within Renfrewshire has also been factored into the fair value measurement. Therefore, the level of observable inputs is significant, leading to the properties being categorised at level 2 in the fair value hierarchy.

## Note 11: Assets held for sale

The following table summarises the movement in the fair value of assets held for sale during the year:

2018/19 £m	Assets Held for Sale	2019/20 £m
0.251	Opening balance at 1 April	1.500
	<b>Assets reclassified as held for sale:</b>	
1.500	Other Land and Buildings	(0.700)
(0.251)	Assets sold	(0.100)
<b>1.500</b>	<b>Closing balance at 31 March</b>	<b>0.700</b>

## Note 12: Heritage Assets

There were no movements in the fair value of the Council's Heritage Assets during 2019/20 or 2018/19. The value at 31 March 2020 was £39.303m (£39.303m at 31 March 2019).

Over the past five years, there have been no acquisitions, donations, or disposals of Heritage Assets. The only revaluations over this period (in 2017/18) amounted to £0.326m.

The combined collections managed by the Renfrewshire Arts and Museums Service number in excess of 350,000 objects and it is impractical to undertake a full valuation of all the items in the collection. The balances above reflect a combination of external valuations and those undertaken by museum curators for insurance purposes. Internal valuations are generally derived on a collection basis as opposed to valuing individual objects.

The details of the valuations of the assets are as follows:

- Art collection: 2013 (Sotheby's)
- Shawls and textiles: 2017 (internal)
- Natural and human history: 2017 (internal)

An inventory of objects is currently held in a variety of both manual and electronic formats. A centralised electronic collections management system has been

procured and a project is underway to transfer records to this new system. It is recognised however that this is a significant task and may take a substantial period of time to complete.

## Note 13: Intangible assets (non-current)

The Council accounts for purchased software licences as intangible assets. The cost of the licences is amortised on a straight-line basis over the expected life of the licences, which is three to five years for all ICT systems. Amortisation charges are initially charged to ICT services and then absorbed as an overhead across all the service headings in the net expenditure of services. The movement on intangible asset balances during the year is as follows:

2018/19 £m	Purchased Software Licences	2019/20 £m
	Balance at 1 April	
1.033	Gross carrying amount	6.421
(0.628)	Accumulated amortisation	(0.576)
<b>0.405</b>	<b>Net carrying amount at 1 April</b>	<b>5.845</b>
0.134	Additions: purchases	0.117
5.506	Asset Reclassification	0.000
(0.252)	Disposals	(0.456)
0.252	Disposal amortisation	0.456
(0.200)	Amortisation for the year	(0.925)
<b>5.845</b>	<b>Net carrying amount at 31 March</b>	<b>5.037</b>
	<b>Comprising:</b>	
6.421	Gross carrying amount	6.082
(0.576)	Accumulated amortisation	(1.045)
<b>5.845</b>	<b>Balance at 31 March</b>	<b>5.037</b>

There are no individual intangible assets that are material to the financial statements and there are currently no contractual commitments for the acquisition of intangible assets.



## Note 14: Capital expenditure and capital financing

Capital expenditure involves the creation of assets, the benefit of which will be available to future council tax and non-domestic rate payers. It is financed from borrowing and capital income (sales receipts), and so the cost of the asset is effectively borne over a number of years. The Council's overall capital investment programme is sub-divided into two programmes – housing and non-housing. In 2019/20 total spending on capital projects was £85.348m (£64.672m in 2018/19) and was within the overall prudential limits approved by Council. Capital receipts of £0.704m (£2.532m in 2018/19) were used to fund spending on capital projects.

The net capital expenditure for the year of £45.047m (£24.834m in 2018/19) was financed from external borrowing, credit arrangements and from cash balances. The table below shows the total amount of capital expenditure incurred in the year, including the value of assets acquired under finance leases and PFI/PPP contracts.

Also shown are the resources that have been used to finance this capital expenditure. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The movement in the CFR during the year is also analysed in the table below.

2018/19 £m		2019/20 £m
347.471	Opening Capital Financing Requirement	344.567
	<b>Capital investment:</b>	
64.608	Property, plant and equipment	90.048
0.000	Credit Arrangements (Finance Lease/PPP)	0.555
0.134	Intangible assets	0.117
	<b>Sources of finance:</b>	
(0.479)	Capital receipts – sale of council houses	(0.385)
(2.053)	Capital receipts – sale of other council assets	(0.319)
(30.880)	Government grants and other contributions	(36.295)
(6.496)	Sums set aside from revenue – direct revenue contributions	(3.302)
(27.738)	Loans Fund/Finance Lease principal repayments	(19.724)
344.567	Closing Capital Financing Requirement	375.262
	<b>Explanation of movements in year:</b>	
0.000	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	33.043
(2.904)	Increase/(decrease) in PPP finance lease creditor	(2.348)
(2.904)	Increase/(Decrease) in Capital Financing Requirement	30.695

At 31 March 2020 the Council had commitments on capital contracts for non-housing projects of £35.742m (£35.072m in 2018/19) and for housing projects of £39.072m (£37.975m in 2018/19). This expenditure will be funded from a combination of government grants, external borrowing, income from selling assets and contributions from revenue budgets.

## Note 15: Public Private Partnerships

The Council entered into a Public Private Partnership on 1 July 2006 for the provision and maintenance of educational buildings and other facilities. This agreement provides the Council with replacement

buildings such as primary and secondary schools and community education premises. The provider is required to ensure the availability of these buildings to a pre-agreed standard, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standard.

When the agreement ends in 2038, the buildings will be handed to the Council at nil consideration with a guarantee of no major maintenance requirements for a five-year period. The Council only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the course of the remainder of the contract. The assets used to

provide services are recognised on the Council's Balance Sheet. Movements in their value over the year are shown in the movement on the Property, Plant and Equipment balance in Note 9.

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards. Under the agreement the Council is committed to paying the following sums (assuming an average inflation rate of 2.5% per annum and excluding any performance/availability deductions).

Future Repayment Periods	Service Charges £m	Liability Repayment £m	Interest Repayment £m	Contingent Rentals £m	Total £m
Payable within 1 year	6.053	2.543	5.317	3.639	17.552
Payable within 2-5 years	25.073	11.698	19.214	17.195	73.180
Payable within 6-10 years	36.190	17.054	18.784	26.521	98.549
Payable within 11-15 years	35.814	25.262	10.962	35.002	107.040
Payable within 16-20 years	25.911	14.881	1.893	19.588	62.273
<b>Total</b>	<b>129.041</b>	<b>71.438</b>	<b>56.170</b>	<b>101.945</b>	<b>358.594</b>

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the contractor for capital expenditure (the outstanding finance lease obligation) is as follows:

2018/19 £m	Outstanding PPP Finance Lease Obligation	2019/20 £m
77.178	Balance at 1 April	74.274
2.904	Payments during the year	2.836
<b>74.274</b>	<b>Balance at 31 March</b>	<b>71.438</b>

The discount rate used in this calculation is the interest rate implicit in the PFI agreement, which was fixed at the outset at 7.6%.

## Note 16: Leases

### Renfrewshire Council as Lessee

#### Operating Leases

The Council has 28 properties and 6 vehicles classed as operating leases, with average lives of 11 years.

The opening balance at 1 April 2019 was reviewed for completeness in preparation for the implementation of IFRS 16: Leases in 2021/22.

The restatement is presentational only and did not result in a change to the amount charged to the CIES in 2018/19.

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

As at 31 March 2019 (restated) £m		As at 31 March 2020 £m
1.010	Not later than one year	0.932
2.876	Between one and five years	2.306
4.234	Later than five years	3.909
<b>8.120</b>		<b>7.147</b>

During 2019/20, there was £1.021m expenditure charged to the CIES in relation to these leases (£1.102m in 2018/19).

## Finance Leases

Finance leases, which have substantially transferred to the Council the benefits and risks of ownership of a non-current asset, are treated as if the asset had been purchased outright.

Assets acquired under finance leases are included in non-current assets at the lower of the fair value or the present value of the minimum lease payments. The lease rentals comprise capital and interest elements; the capital element is applied to reduce the outstanding obligation and the interest element is charged to revenue over the terms of the lease.

During 2019/20, the Council acquired 44 electric vehicles under a finance lease agreement over a period of 5 years. As at 31 March 2020, outstanding obligations to make payments under finance leases are:

As at 31 March 2019 £m		As at 31 March 2020 £m
0.000	Not later than one year	0.107
0.000	Between one and five years	0.381
0.000	Later than five years	0.000
<b>0.000</b>		<b>0.488</b>

## Renfrewshire Council as Lessor

### Operating Leases

The Council leases out property and equipment 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 leases in future years are:

As at 31 March 2019 £m		As at 31 March 2020 £m
0.252	Not later than one year	0.183
0.700	Between one and five years	0.675
6.781	Later than five years	6.623
<b>7.733</b>		<b>7.481</b>

The minimum lease payments receivable does not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

## Note 17: Intangible assets (current assets)

The Council accounts for Carbon Reduction Commitment (CRC) allowances purchased prospectively as intangible assets. These allowances will be surrendered in accordance with the CRC scheme's requirements. The scheme was closed on 31 March 2020.

2018/19 £m	Intangible Assets (Current)	2019/20 £m
0.266	Balance at 1 April	0.037
0.000	Additions: purchases	0.000
(0.229)	Disposals	(0.037)
<b>0.037</b>	<b>Balance at 31 March</b>	<b>0.000</b>

## Note 18: Inventories

2018/19 £m	Inventories	2019/20 £m
0.757	Balance at 1 April	1.120
6.934	Additions during the year	7.572
(6.562)	Recognised as an expense during the year: inventories sold, exchanged or distributed	(7.706)
(0.072)	Recognised as an expense during the year: inventories written down	0.000
0.063	Reversals during the year of previous inventory write-downs	0.003
1.120	Balance at 31 March	0.989

## Note 19: Debtors

As at 31 March 2019			As at 31 March 2020	
Short-term £m	Long-term £m		Short-term £m	Long-term £m
11.872	0.000	Trade receivables	6.927	0.000
4.871	1.350	Prepayments	4.932	1.260
27.294	1.264	Other receivables	37.743	0.912
44.037	2.614	Total Debtors	49.602	2.172

## Note 20: Cash and cash equivalents

The balance of cash and cash equivalents is made up of the following components. With the exception of imprest accounts held at Council establishments, the balances in all of the categories listed below are used together to manage the Council's overall cash balances on a day-to-day basis.

2018/19 £m		2019/20 £m
(4.407)	Current account balances with the council's banker	(10.282)
18.855	Callable deposits with UK banks and building societies	0.603
31.846	Callable deposits in money market funds	22.205
0.048	Imprest accounts held at council establishments	0.170
46.342	Total cash and cash equivalents	12.696

## Note 21: Creditors

As at 31 March 2019 (restated)			As at 31 March 2020	
Short-term £m	Long-term £m		Short-term £m	Long-term £m
(17.897)	0.000	Trade payables	(22.090)	0.000
(76.084)	(71.442)	Other payables	(56.158)	(75.313)
(93.981)	(71.442)	Total Creditors	(78.248)	(75.313)

In the Annual Accounts 2018/19, £6.622m relating to employee accumulating compensated absence was disclosed as a Short-term Provision. This has now been reclassified as a Short-term Creditor and the 2018/19 opening balance is restated as a result.

## Note 22: Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Teacher's maternity pay is a short-term provision, made to reflect the changes in European legislation that allow teachers to accrue all holidays during parental leave. Short-term accumulating compensated absence has been reclassified as an accrual and is therefore disclosed in Note 21. The 2018/19 opening balance of Short-term Provisions is therefore restated to indicate this change.

The movement in these short-term provisions is detailed below:

Short-term Provisions	Teachers' maternity pay £m	Other £m	Total £m
Balance at 1 April 2019 (restated)	(0.096)	0.000	(0.096)
Additional provisions made during the year	(0.104)	(0.173)	(0.277)
Reversal of existing provisions	0.096	0.000	0.096
As at 31 March 2020	(0.104)	(0.173)	(0.277)

A summary of the movements in the long-term provisions made by the Council is detailed below, along with an explanation of the reason for the provision:

Long-term Provisions	Holiday pay compensation £m	Insurance claims £m	Other £m	Total £m
Balance at 1 April 2019	(0.561)	(3.639)	(1.220)	(5.420)
Additional provisions made during the year	0.116	(1.461)	0.000	(1.345)
Amounts used during the year	0.000	0.800	1.220	2.020
As at 31 March 2020	(0.445)	(4.300)	0.000	(4.745)

### Holiday pay compensation payments

The Council has received a number of claims arising from a European Court of Justice ruling in relation to holiday pay. A provision has been made to reflect the potential outcome of known claims. A contingent liability is recognised in Note 30 for potential claims that have not yet materialised.

### Insurance claims

The provision for insurance claims represents the actuarial assessment of excess costs arising from insurance claims together with identified liabilities in respect of insurance claims outstanding against Renfrewshire Council and predecessor local authorities. The Council has increased its net

assessment by £1.461m on the basis of information held by the Council and notified by Glasgow City Council, the coordinating authority for the former Strathclyde Regional Council.

## Note 23: Financial Instruments

### Categories of financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The term 'financial instrument' covers both financial assets and financial liabilities and includes trade payables, borrowings (for example Public Works Loan

Board debt and market debt), financial guarantees, bank overdraft, trade receivables, loans receivable, cash deposits with financial institutions (some on a fixed term basis and some which are immediately available) and longer-term investments. The following categories of financial instrument are carried in the balance sheet.

As at 31 March 2019		Financial Assets	As at 31 March 2020	
Long-term £m	Current £m		Long-term £m	Current £m
		<i>At amortised cost:</i>		
0.000	103.000	Principal	7.000	86.000
0.000	0.295	Accrued interest	0.000	0.341
0.000	(0.003)	Loss allowance	0.000	0.000
3.785	0.000	At fair value through other comprehensive income - designated equity instruments	3.789	0.000
<b>3.785</b>	<b>103.292</b>	<b>Total Investments</b>	<b>10.789</b>	<b>86.341</b>
		<i>At amortised cost:</i>		
0.000	14.496	Principal	0.000	(9.512)
0.000	0.007	Accrued interest	0.000	0.003
0.000	(0.007)	Loss allowance	0.000	0.000
0.000	31.846	At fair value through profit or loss	0.000	22.205
<b>0.000</b>	<b>46.342</b>	<b>Total Cash and cash equivalents</b>	<b>0.000</b>	<b>12.696</b>
		<i>At amortised cost:</i>		
3.690	56.656	Trade receivables	1.273	56.074
4.998	0.123	Loans made for service purposes	4.927	0.114
0.725	0.000	Accrued interest	0.794	0.000
(6.799)	(19.505)	Loss allowance	(4.822)	(19.332)
<b>2.614</b>	<b>37.274</b>	<b>Total Financial Assets included in Debtors</b>	<b>2.172</b>	<b>36.856</b>

As at 31 March 2019		Financial Liabilities	As at 31 March 2020	
Long-term £m	Current £m		Long-term £m	Current £m
(168.357)	(3.317)	Principal sum borrowed	(167.131)	(1.227)
0.000	(2.620)	Accrued interest	0.000	(2.622)
<b>(168.357)</b>	<b>(5.937)</b>	<b>Total Public Works Loan Board (PWLB) borrowing</b>	<b>(167.131)</b>	<b>(3.849)</b>
0.000	(52.916)	Principal sum borrowed	(20.000)	(32.916)
0.000	(0.883)	Accrued interest	0.000	(0.890)
0.000	(0.922)	EIR adjustments	(0.366)	(0.535)
<b>0.000</b>	<b>(54.721)</b>	<b>Total non-PWLB borrowing ("market debt")</b>	<b>(20.366)</b>	<b>(34.341)</b>
0.000	(11.780)	Borrowing from group entities	0.000	(15.037)
<b>(168.357)</b>	<b>(72.438)</b>	<b>Total Borrowing</b>	<b>(187.497)</b>	<b>(53.227)</b>
0.000	(57.830)	At amortised cost trade payables	0.000	(44.910)
(71.438)	(2.836)	PFI/PPP and finance lease liabilities	(74.507)	(2.791)
(0.004)	0.000	Financial guarantees	(0.002)	0.000
<b>(71.442)</b>	<b>(60.666)</b>	<b>Total Financial Liabilities included in Creditors</b>	<b>(74.509)</b>	<b>(47.701)</b>



Loans to other entities and individuals comprise a loan to Park Lane Developments (Renfrewshire) LLP of £0.275m (2018/19 £0.275m), a loan to Kilbarchan Amateur Athletic Club of £0.081m (2018/19 nil), home loans of £0.670m (2018/19 £0.834m), £0.030m soft loans to service users (2018/19 £0.031m) and soft loans to employees of £0.024m (2018/19 £0.024m).

## Equity instruments elected to fair value through other comprehensive income

The Council has elected to account for the Insurance Fund at fair value through other comprehensive income because it is a long-term strategic holding and changes in its fair value is not considered to be part of the Council's annual financial performance. The Insurance Fund is invested in the Phoenix Fund, managed on behalf of the Council by Aberdeen Standard Capital.

The objective of the fund is to achieve long term growth with low volatility, through a widely diversified portfolio. The fair value of the investment is £3.789m at 31 March 2020 (£3.785m as at 31 March 2020). Income from the Fund is reinvested.

## Fair value of financial instruments

Financial instruments, except those classified at amortised cost, are carried in the Balance Sheet at fair value. For most assets, including money market funds, the fair value is taken from the market price. The fair values of other instruments have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020.

The Council's 'Fair value through other comprehensive income' assets comprise its insurance fund investments. The fair value of the insurance fund investments equates to the market value of those investments, and this valuation has been provided by the Council's investment manager, Aberdeen Standard Capital.

Financial instruments classified at amortised cost are carried in the Balance Sheet at amortised cost. Their

fair values have been estimated by calculating the net present value of the remaining contractual cash flows at 31 March 2020, using the following methods and assumptions:

- Loans borrowed by the Council have been valued by discounting the contractual cash flows over the whole life of the instrument at the appropriate market rate for local authority loans.
- For 'Lender's Option Borrower's Option' (LOBO) loans, PWLB premature repayment rates have been applied to provide the fair value under PWLB debt redemption procedures. The PWLB redemption rates provide a reasonable proxy for rates and a number of market participants have used this basis when considering early redemption costs for market loans. It is likely that lenders will only exercise their options when market rates have risen above the contractual loan rate. The interest rate risk associated with the Council's LOBOs is not deemed to be significant and the potential penalties charged may make the redemption of the loans an uneconomic option.
- The fair values of other long-term loans and investments have been discounted at the market rates for similar instruments with similar remaining terms to maturity on 31 March.
- The fair values of financial guarantees have been estimated based on the likelihood of the guarantees being called and the likely payments to be made.
- The fair values of finance lease assets and liabilities and of PFI scheme liabilities have been calculated by discounting the contractual cash flows (excluding service charge elements) at the appropriate AA-rated corporate bond yield.
- No early repayment or impairment is recognised for any financial instrument.
- The fair value of short-term instruments, including trade payables and receivables, is assumed to approximate to the carrying amount given the low and stable interest rate environment.

Fair values are shown in the table below, split by their level in the fair value hierarchy:



- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

The fair value for each category of financial instrument is shown below, with the balance sheet carrying amount shown for comparison.

As at 31 March 2019		Financial Assets	Fair value level	As at 31 March 2020	
Carrying Amount £m	Fair value £m			Carrying Amount £m	Fair value £m
31.846	31.846	Callable deposits in money market funds	1	22.205	22.205
3.785	3.785	Investments in pooled funds (insurance fund)	1	3.789	3.789
35.631	35.631	Total Financial assets measured at fair value		25.994	25.994
95.279	95.346	Fixed term deposits with UK local authorities	2	93.341	93.443
8.013	8.013	Fixed term deposits with UK building societies	2	0.000	0.000
14.448	14.440	Callable deposits with UK banks and building societies (including current account balances with the Council's banker)	2	(9.679)	(9.683)
0.048	0.048	Imprest accounts held at council establishments	2	0.170	0.170
1.644	1.696	Loans made for service purposes	3	1.542	1.598
119.432	119.543	Total Financial assets measured at amortised cost		85.374	85.528
155.063	155.174	Total financial assets for which fair value is disclosed		111.368	111.522
		<i>Financial assets measured at amortised cost:</i>			
1.091	n/a	Trade receivables: long-term		0.740	n/a
37.153	n/a	Receivables and prepayments: short-term		36.746	n/a
38.244		Total financial assets for which fair value is not disclosed		37.486	

As at 31 March 2019		Financial Liabilities	Fair value level	As at 31 March 2020	
Carrying Amount £m	Fair value £m			Carrying Amount £m	Fair value £m
		<i>Financial liabilities measured at amortised cost:</i>			
(174.294)	(250.972)	Public Works Loan Board borrowing	2	(170.980)	(237.264)
(54.721)	(82.270)	Non-PWLB borrowing (“market debt”)	2	(54.707)	(75.291)
		<i>Other liabilities:</i>			
(74.270)	(74.270)	PFI/PPP and finance lease liabilities	3	(77.298)	(77.298)
(0.004)	(0.004)	Financial guarantees	3	(0.002)	(0.002)
(303.289)	(407.516)	Total financial liabilities for which fair value is disclosed		(302.987)	(389.855)
		<i>Financial liabilities measured at amortised cost:</i>			
(11.780)	n/a	Borrowing from group entities		(15.037)	n/a
(57.830)	n/a	Trade payables: short-term		(44.910)	n/a
(69.610)		Total financial liabilities for which fair value is not disclosed		(59.947)	

## Items of income, expense, gain and loss relating to financial instruments

The following items of income, expense, gain and loss relating to financial instruments are included within the lines 'Financing and investment income and expenditure' and '(Surplus)/Deficit from investments in equity instruments designated as Fair Value through Other Comprehensive Income' in the CIES.

2018/19 £m		Financial Assets			Financial liabilities at amortised cost £m	2019/20 £m
		Amortised cost £m	Elected to Fair Value through Other Comprehensive Income £m	Fair Value through Profit or Loss £m		
17.704	Interest expense	0.000	0.000	0.000	16.113	16.113
0.245	Impairment losses	2.295	0.000	0.000	0.000	2.295
17.949	Total expense in the Surplus / Deficit on the Provision of Services	2.295	0.000	0.000	16.113	18.408
(0.789)	Interest income	(1.358)	0.000	(0.128)	0.000	(1.486)
(0.114)	Dividend income	0.000	(0.116)	0.000	0.000	(0.116)
(0.002)	Other income	(0.001)	0.000	0.000	0.000	(0.001)
(0.905)	Total income in the Surplus/Deficit on the Provision of Services	(1.359)	(0.116)	(0.128)	0.000	(1.603)
(0.140)	Net (gain) or loss on revaluation	0.000	0.111	0.000	0.000	0.111
(0.140)	(Surplus)/Deficit on the revaluation of financial assets	0.000	0.111	0.000	0.000	0.111
16.904	Net (Gain)/Loss for the year	0.936	(0.005)	(0.128)	16.113	16.916

## Note 24: Nature and extent of risks arising from Financial Instruments

The Council's management of treasury risks actively works to minimise the Council's exposure to the unpredictability of financial markets and to protect the financial resources available to fund services. The Council complies with CIPFA's Code of Treasury Management Practices and has written principles for overall risk management as well as written policies and procedures covering specific areas such as credit risk, liquidity risk and market risk.

In line with the Treasury Management Code, the Council approves a Treasury Management Strategy before the commencement of each financial year. The

Strategy sets out the parameters for the management of risks associated with financial instruments. The Council also produces Treasury Management Practices specifying the practical arrangements to be followed to manage these risks.

The Treasury Management Strategy includes an Investment Strategy in compliance with Scottish Government guidance on Local Government Investments. This Guidance emphasises that priority is to be given to security and liquidity, rather than yield.

The Council's Treasury Management Strategy and its Treasury Management Practices seek to achieve a suitable balance between risk and return or cost.

## Credit Risk

Credit risk arises from the short-term lending of surplus funds to financial institutions and local authorities, as well as credit exposures to the Council's customers. It is the policy of the Council to place deposits only with other local authorities and a limited number of high-quality banks, building societies and money market funds whose credit rating is independently assessed as sufficiently secure by the Council's treasury advisers and to restrict lending to a prudent maximum amount for each entity.

The Treasury Management Strategy outlines the limits placed on investments with any counterparty.

The table below summarises the credit risk exposures of the Council's treasury investment portfolio (including accrued interest) by credit rating.

2018/19 £m	Total Investment Portfolio by Credit Rating	2019/20 £m
31.846	AAA (Money Market Funds)	22.206
8.005	AA-	0.000
8.002	A+	0.003
9.396	A	0.100
1.475	BBB+	0.500
95.280	Unrated local authorities	93.341
154.004	Total	116.150

The Council does not generally allow credit for customers, such that as at 31 March 2020, £7.581m of the £9.720m (£6.498m of £10.271m in 2018/19) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

2018/19 £m	Sundry Income Debt Past Due	2019/20 £m
0.746	Less than three months	1.837
0.145	Three to six months	0.457
0.777	Six months to one year	0.754
4.830	More than one year	4.533
6.498	Total	7.581

Loss allowances on trade receivables have been calculated by reference to the Council's historic experience of default, adjusted for current and forecast economic conditions. Receivables are determined to have suffered a significant increase in credit risk where they are 30 or more days past due and they are determined to be credit-impaired where they are 90 or more days past due. Receivables are written off to the Surplus or Deficit on the Provision of Services when there is no reasonable prospect of payment, or when they become prescribed; but steps are still taken to collect sums owing when information becomes available which suggests the debtor can make payment.

## Collateral

Renfrewshire Council occasionally provides loans to residents who wish to buy their homes under Right to Buy legislation. In such cases the Council takes a standard security over the property. As at 31 March 2020 the outstanding value of loans advanced by the Council was £0.670m (£0.834m as at 31 March 2019).

## Liquidity risk

The Council's main source of borrowing is HM Treasury's Public Works Loans Board, but the Council also has loans classed as 'Lender's option, borrowers option' (LOBO). There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

The Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates.

The Council's policy is to ensure that not more than 15% of loans are due to mature within any financial year and 50% within any rolling five-year period through a combination of prudent planning of new loans taken out and, where it is economic to do so, making early repayments.

The maturity analysis of the principal element of borrowing is as follows:

As at 31 March 2019		Principal Borrowing Maturity Analysis	As at 31 March 2020	
£m	%		£m	%
56.233	25.04%	Less than one year*	34.143	15.43%
1.227	0.55%	Between one and two years	20.834	9.42%
3.538	1.57%	Between two and five years	7.712	3.48%
163.592	72.84%	More than five years	158.585	71.67%
224.590	100.00%	Total	221.274	100.00%

\*The principal maturing in less than one year exceeds the 15% target above due to the technical possibility that the call option on LOBO loans could be called by the lender. This is highly unlikely in the current economic climate.

### Market risk: interest rate risk

Changes in market interest rates influence the interest payable on borrowings and on interest receivable on surplus funds invested. For example, a rise in interest rates would mean an increase in the interest charged on borrowing at variable rates and an increased cost to the taxpayer. An increase in interest rates would also mean an increase in the income received on lending at variable rates and a reduction in cost for the taxpayer. Changes in market rates also affect the notional 'fair value' of lending and borrowing. For example, a rise in interest rates would reduce the fair value of both lending and borrowing at fixed rates. Changes in the fair value of lending and borrowing do not impact upon the taxpayer and are confined to prescribed presentational aspects in the Accounts.

The Council has a variety of strategies for managing the uncertainty of future interest rates and the financial impact on the Council's finances:

- it is the policy of the Council to limit its exposure to variable rate borrowing to a maximum of 25% of what it borrows;
- during periods of falling rates and where it is economically advantageous to do so, the Council will consider the repayment and restructuring of fixed interest rate debt;
- the Council takes daily advice from its specialist treasury advisers and actively monitors changes in interest rates to inform decisions on the lending of surplus funds, new borrowings and restructurings of existing borrowings.

To illustrate the notional impact of changes in interest rates upon the Council, the following table shows the financial effect if rates had been 1% higher during 2019/20, with all other variables held constant.

Interest rate risk	As at 31 March 2020 £m
Increase in interest receivable on deposits placed during the year	(1.575)
Notional impact on the Surplus/Deficit on the Provision of Services	(1.575)
Share of this impact which would be attributable to the Housing Revenue Account	(0.610)
<i>Other changes that would have no impact on the Surplus/Deficit on the Provision of Services or Other Comprehensive Income and Expenditure:</i>	
Decrease in the fair value of fixed rate loans and deposits	0.120
Decrease in the fair value of fixed rate borrowing	51.842

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

## Market risk: price risk

The Council's Insurance Fund is invested in an externally managed fund under the powers of schedule 3 of the Local Government (Scotland) Act 1975 and section 3 of the Local Government etc. (Scotland) Act 1994. The investments are managed on behalf of the Council by Aberdeen Standard Capital in the Phoenix Fund. The objective of the fund is to achieve long-term growth with low volatility, through a widely diversified portfolio. The benchmark return is LIBOR+2% per annum. During 2019/20 the book cost of investments increased by £0.116m (£0.114m increase during 2018/19).

The investment is classified as fair value through other comprehensive income, meaning that all movements in price will impact on the gains and losses recognised in other comprehensive income and expenditure. This is an accounting requirement that has no impact on the taxpayer.

To illustrate the impact of changes in share price upon the Council, an increase or fall of 5% in the general price of shares at 31 March 2020 would have resulted in a £0.055m gain or loss being recognised in Other Comprehensive Income and Expenditure for 2019/20.

## Note 25: Agency services

The Council bills and collects non-domestic rates on behalf of the Scottish Government from ratepayers situated within Renfrewshire Council and East Renfrewshire Council. The Council also bills and collects, along with its own council tax, domestic water and sewerage charges on behalf of Scottish Water.

2018/19 £m	Agency Services	2019/20 £m
120.105	Scottish Government - Contributions (to)/from the non-domestic rates pool	104.417
14.668	Non-domestic rates collected: East Renfrewshire	14.111
0.056	Service income from East Renfrewshire Council for collection of non-domestic rates	0.059
29.836	Domestic water and sewerage charges collected	30.738
(29.836)	Domestic water and sewerage charges paid over to Scottish Water	(30.738)
0.636	Service income from Scottish Water for collection of domestic water and sewerage	0.636
0.010	Service income Paisley First Business Improvement District for collection of BID levy	0.010

## Note 26: Related parties

The Council's related parties are those bodies or individuals that have the potential to control or significantly influence the Council, or to be controlled or significantly influenced by the Council, or where those individuals or bodies and the Council are subject to common control. The Council is required to disclose material transactions that have occurred with related parties and the amount of any material sums due to or from related parties. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions

between the related parties. Disclosure of this information allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### Central and Scottish Government

Central and Scottish Government have the potential to influence the general operations of the Council, being responsible for providing the statutory framework within which the Council operates. The Scottish Government provides the majority of the

Council's funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties such as Council tax billing. Grants received from the Scottish Government are set out in the analysis in Note 5.

## Elected Members

Elected Members have direct control over the Council's financial and operating policies. The total of Members' allowances paid is shown in the Remuneration Report. Details of Elected Members' interests can be accessed from each councillor's page on the Council website, at: [www.renfrewshire.gov.uk/councillors](http://www.renfrewshire.gov.uk/councillors). Services totalling £0.373m (£4.566m at 31 March 2019) were commissioned from organisations in which one elected member had a financial interest. The relevant member played no role in the decision relating to services commissioned and contracts were entered into in full compliance with contract standing orders. Payments for services and grants totalling £0.446m (£0.305m at 31 March 2019) were paid to organisations in which four elected members had a non-financial interest. The relevant members did not take part in discussions regarding grant awards or commissioning of services.

## Officers

A register of Senior Officers' Interests is available on the Council website at: [www.renfrewshire.gov.uk > Your Council > Information, performance and statistics > Council structure](http://www.renfrewshire.gov.uk > Your Council > Information, performance and statistics > Council structure).

## Entities controlled or significantly influenced by the Council

The Council also has interests in several Joint Boards and Committees as outlined in the Group Accounts Notes G1 and G2.

## Note 27: External audit costs

Audit fees are restated for the prior year owing to an additional fee being charged after the balance sheet date for 2018/19.

2018/19 (restated) £m	Audit Fees	2019/20 £m
0.362	Fees payable with regard to external audit services carried out by the appointed auditor for the year	0.348
0.000	Fees payable with regard to other services carried out by the appointed auditor	0.008
0.362	Total	0.356

## Note 28: Pension schemes accounted for as defined contribution schemes

Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016, which set the contribution rate payable from 1 April 2019 to 31 March 2023. Renfrewshire 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. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Renfrewshire Council is unable to identify its share of the underlying assets and liabilities of the scheme. While the employee rate applied is variable, it will provide an actuarial yield of 9.6% of pensionable pay. At the last valuation a shortfall of £1.3bn was identified in the notional fund, which will be repaid by



the increased rate of employers' pension contribution, effective from 1 September 2019, of 23%.

Based on the proportion of employer contributions paid in 2018/19, Renfrewshire Council's level of participation in the scheme is 3.4%. The Council paid £14.859m (£11.451m in 2018/19) for employer's contributions to the Scottish Public Pensions Agency. £0.444m of expenditure (£0.436m in 2018/19) was charged to service revenue accounts in respect of "added years" pension enhancement termination benefits, representing 0.6% of teachers' pensionable pay (0.7% in 2018/19). The estimated contribution for 2020/21 is £16.768m.

## Note 29: Defined benefit pension schemes

### 29a: Participation in pension schemes

The pension scheme for teachers (the Scottish Teachers' Superannuation Scheme) is explained in Note 28, whilst this note relates exclusively to the pension scheme for all other employees: the Local Government Pension Scheme.

The Local Government Pension Scheme in Scotland (LGPS) is a funded, defined benefit, statutory occupational pension scheme. It is regulated by the Scottish Public Pensions Agency, but is administered locally by fund administering authorities through regional pension funds. For Renfrewshire Council, the fund administering authority is Glasgow City Council and the regional pension fund is the Strathclyde Pension Fund. As a funded scheme, the Council and employees pay contributions into the fund, calculated at a level intended to balance the scheme's pension liabilities with the scheme's investment assets. The statutory nature of the fund means that the post-employment benefits are defined and set out in law. The Strathclyde Pension Fund is a multi-employer fund and it is possible for each employer to identify its own share of the assets and liabilities of the fund on a consistent and reasonable basis.

The principal risks to the scheme are assumptions relating to longevity, inflation, and investment performance; in addition, statutory changes to the scheme. These risks are mitigated to an extent by statutory requirements limiting charges to the Council's general fund.

The Council has additional liabilities for unfunded discretionary pension payments outside the main schemes such as arrangements for the award of discretionary post-employment benefits upon early retirement. This is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

### 29b: Transactions relating to post-employment benefits

The Council accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and accounting for investment returns on any resources set aside to meet the costs. However, the charge according to statutory regulations that is required to be made against the General Fund Balance and the Housing Revenue Account Balance is based upon the employer contributions payable by the Council to the pension fund in the year. This requires an adjustment to be made in the movement in reserves statement to remove the cost (according to generally accepted accounting practices) of post-employment benefits, and replace that cost with the value of employer contributions payable to the fund in the year.

The following transactions have been made in the CIES and the General Fund Balance via the movement in reserves statement during the year:



2018/19 £m		2019/20 £m
	Included within net cost of services:	
43.492	Current service cost	56.782
16.120	Past service cost/(gain)	(7.819)
	Included within Financing and Investment income and expenditure:	
38.149	Interest cost	38.440
(33.339)	Expected return on scheme assets	(31.377)
64.422	Total of Post-employment benefits charged to the Surplus/Deficit on the Provision of Services	56.026
	Included within Other Comprehensive Income and Expenditure:	
(40.039)	Return on Assets excluding amounts included in net interest	87.121
0.000	Actuarial gains and losses arising on changes in Demographic Assumptions	(52.031)
116.700	Actuarial gains and losses arising on changes in Financial Assumptions	(167.096)
3.337	Actuarial gains and losses arising on changes in Other Assumptions	(8.136)
144.420	Total of LGPS post-employment benefits charged to the CIES	(84.116)
	Movement in reserves statement:	
79.998	Actuarial losses or (gains)	(140.142)
64.422	Reversal of items relating to post-employment benefits debited or credited to the Surplus/Deficit on the Provision of Services	56.026
(28.212)	Employer contributions and direct payments to pensioners payable in the year	(30.036)
116.208	Movement in the year on the Pension Reserve	(114.152)

The cumulative amount of actuarial gains and losses recognised in the CIES as at 31 March 2020 is a loss of £52.392m (£192.535m as at 31 March 2019).

Past service cost is the estimated increase in liabilities arising from current year decisions that relates to years of service earned prior to this year. For 2018/19, this included an estimate for the impact of potential removal of transitional arrangements (McCloud judgement) amounting to £14.212m. There is no further impact in 2019/20.

## 29c: Assets and liabilities relating to post-employment benefits

Renfrewshire Council's share of the defined benefit obligation (that is, the scheme liabilities) and of the scheme assets in the Strathclyde Pension Fund has been assessed by Hymans Robertson LLP, the Fund's independent actuaries. The assessment indicates that, as at 31 March 2020, the defined benefit obligation exceeded scheme assets by £162.522m (£276.674m as at 31 March 2019). The defined benefit obligation is valued on an actuarial basis using the "projected unit credit" method, which estimates the pensions that will be payable in future years (dependent on assumptions about mortality rates, salary levels and other factors) discounted to their present value. The discount rate used at 31 March 2020 was 2.3% based on the indicative rate of return on high quality corporate bonds. Scheme assets are valued at fair value which, in the case of marketable securities, is market value using the current bid price. Where no market price is available, the fair value of scheme assets is estimated. The valuations are based on the latest formal valuation of the Strathclyde Pension Fund which was carried out as at 31 March 2017.

The common position for employers participating in the Strathclyde Pension Fund is that, based on a snapshot valuation as at 31 March 2020, a net pension liability is disclosed as a result of prevailing market conditions at that date. The net pension position of £162.522m represents a decrease in liability of £114.152m between 31 March 2019 and 31 March 2020. The net pension liability has a substantial impact on the net worth of the Council as

recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains assured. The deficit on the Strathclyde Pension Fund will be made good by contributions over the remaining working life of employees, as assessed by the Fund's actuaries.

Local government legislation provides that local authorities have an obligation to meet the expenditure of the joint boards of which they are constituent members. As a consequence, Renfrewshire Council has additional liabilities arising from the pension scheme deficits of the Renfrewshire Valuation Joint Board. In accordance with accounting regulations, the group accounts include a share of the post-employment benefits transactions, defined benefit obligations and scheme assets of this joint board. Further information can be found in the annual report and accounts of each joint board.

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching (ALM) strategy.

## 29d: Movement in defined benefit obligation (scheme liabilities)

The following is a reconciliation of the 2019/20 opening and closing balances of the present value of Renfrewshire Council's share of the Strathclyde Pension Fund's defined benefit obligation (that is, scheme liabilities).

2018/19 £m		2019/20 £m
1,396.320	Balance at 1 April	1,583.745
43.492	Current service cost	56.782
16.120	Past service cost (including curtailments)	(7.819)
38.149	Interest cost	38.440
6.775	Member contributions	7.888
120.037	Actuarial losses or (gains)	(227.263)
	<i>Losses or (gains) on curtailment</i>	
(4.525)	Estimated benefits paid: unfunded	(4.548)
(32.623)	Estimated benefits paid: other	(32.801)
1,583.745	Balance at 31 March	1,414.424

## 29e: Movement in scheme assets

The following is a reconciliation of the 2019/20 opening and closing balances of the fair value of Renfrewshire Council's share of the Strathclyde Pension Fund's scheme assets.

2018/19 £m		2019/20 £m
1,235.854	Balance at 1 April	1,307.071
33.339	Expected return on scheme assets	31.377
6.775	Member contributions	7.888
23.687	Employer contributions	25.488
4.525	Contributions in respect of unfunded benefits	4.548
40.039	Actuarial (losses) or gains	(87.121)
(4.525)	Estimated benefits paid: unfunded	(4.548)
(32.623)	Estimated benefits paid: other	(32.801)
1,307.071	Balance at 31 March	1,251.902

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy as provided by the administering authority. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets from 1 April 2019 to 31 March 2020 was 4.3%.

The fair value of the assets held in the scheme may be analysed as follows:

As at 31 March 2019				As at 31 March 2020		
Quoted Prices in active markets £m	Prices not quoted in active markets £m	Total £m		Quoted Prices in active markets £m	Prices not quoted in active markets £m	Total £m
301.513	0.791	302.304	Equity instruments	288.786	0.758	289.544
41.011	0.001	41.012	Debt instruments (bonds)	39.280	0.001	39.281
0.000	156.189	156.189	Private Equity	0.000	149.597	149.597
0.000	118.343	118.343	Real Estate	0.000	113.348	113.348
429.040	128.022	557.062	Investment Funds	410.931	122.618	533.549
0.027	0.000	0.027	Derivatives	0.026	0.000	0.026
67.287	64.847	132.134	Cash and cash equivalents	64.447	62.110	126.557
838.878	468.193	1,307.071	Fair value of scheme assets	803.470	448.432	1,251.902

## 29f: Scheme history: analysis of defined benefit obligation and scheme assets

The Council's share of the accumulated deficit or surplus in the scheme is shown below. The analysis shows the nature of various elements of the Council's share of the scheme's defined benefit:

As at 31 March 2019 £m		As at 31 March 2020 £m
(801.805)	Current employee members	(727.663)
(87.218)	Pre-local government reorganisation (1996) liabilities	(78.905)
(142.502)	Deferred pensioners	(121.643)
(450.960)	Pensioners	(399.575)
(1,482.485)	Total Present Value of the Defined Benefit Obligation - Funded liabilities	(1,327.786)
(88.379)	Retirals from Renfrewshire Council	(76.212)
(12.881)	Retirals pre-local government reorganisation (1996)	(10.426)
(101.260)	Total Present Value of the Defined Benefit Obligation - Unfunded liabilities	(86.638)
(1,583.745)	Present value of defined benefit obligation	(1,414.424)
1,307.071	Fair value of scheme assets	1,251.902
(276.674)	Net liability arising from defined benefit obligation	(162.522)

## Basis for estimating assets and liabilities

The following table shows the principal assumptions used by Hymans Robertson LLP, the Fund's independent actuaries, to estimate the Council's post-employment benefits transactions for 2019/20, and the Council's share of the Strathclyde Pension Fund's defined benefit obligation (scheme liabilities) and scheme assets as at 31 March 2020:

2018/19		2019/20
2.4%	Discount rate for defined benefit obligation	2.3%
2.4%	Long-term expected rate of return on scheme assets*	2.3%
3.7%	Rate of increase in salaries	3.0%
2.5%	Rate of increase in pensions	1.9%
2.5%	Rate of inflation	1.9%
	<b>Mortality assumptions (years):</b>	
	<i>Longevity at age 65 for current pensioners:</i>	
21.4	Men	20.7
23.7	Women	22.9
	<i>Longevity at age 65 for future pensioners:</i>	
23.4	Men	22.2
25.8	Women	24.6
	<b>Take up of option to convert annual pension into retirement lump sum</b>	
50%	For Pre-April 2009 service	50%
75%	For Post-April 2009 service	75%

\*The expected rates of return are set equal to the discount rate as per IAS19

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have 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 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 did not change from those used in the previous period.

Impact on the Defined Benefit Obligation on the Scheme	%	£m
0.5% decrease in the Real Discount Rate	10%	147.220
0.5% increase in the Salary Increase Rate	2%	29.303
0.5% increase in the Pension Increase Rate	8%	115.301

In addition, a one-year increase in life expectancy is estimated to increase the Defined Benefit Obligation by 3-5%.

## Impact on the Authority's cash flows

An objective of the Fund is 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. Employers' and employees' contributions have been determined so that rates are standard across all participating employers.

The rate for employer contributions has been set at 19.3% for 2019/20 to 2020/21. The total contributions expected to be made by the Council to the Strathclyde Pension Fund in the forthcoming year to 31 March 2021 is £23.971m. The weighted average duration of the defined benefit obligation is 20.1 years.

## Note 30: Contingent liabilities

The Coronavirus pandemic has had a global impact in health, economic and financial terms. The Council has incurred significant costs in relation to the initial response to the pandemic and is likely to incur considerable further costs as the full implications of the pandemic become clear. This is likely to take many months, and will be influenced by both the lockdown arrangements put in place by UK and Scottish Governments, the form and duration of social distancing and the economic impact of the pandemic locally and nationally. The Council recognises a contingent liability in terms of the costs of ongoing additional services which have been put in place to support individuals, communities and businesses; the reconfiguration of services to enable continued delivery recognising social distancing measures; the loss of income to both the Council and its subsidiaries; and the potential increased costs of capital projects.

Following recent Employment Tribunal decisions, the Council recognises a contingent liability for potential historic claims related to enhanced holiday payments. Further tribunal and legal decisions are anticipated, and this will provide clarity with regards to potential costs to the Council. It is not considered practicable at this stage to estimate the financial effect.

The Council has been notified of a number of contractor claims for additional costs incurred on a construction contract. The Council disputes the claims, which may be referred for arbitration. The Council recognises a contingent liability for potential costs, which may be incurred to resolve this dispute. It is not considered practicable at this stage to estimate the financial effect.

The Limitation (Childhood Abuse) (Scotland) Act is intended to remove the limitation period for actions of damages in respect of personal injuries resulting from childhood abuse. The Council recognises a contingent liability for possible obligations which may arise from past events whose existence will be confirmed only by the occurrence of one or more

uncertain future events not wholly within the control of the authority. It is not considered practicable at this stage to estimate the financial effect.

A recent employment tribunal case [Mrs Goodwin v Department for Education] has concluded that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. Where schemes contain provisions deemed discriminatory, those provisions must be dis-applied and this may have an impact on the Council's share of net liability of the Local Government Pension Scheme. It is not considered practicable at this stage to estimate the financial effect.

Guaranteed Minimum Pension (GMP) was accrued by members of the Local Government Pension Scheme between 6 April 1978 and 5 April 1997. The value of GMP is inherently unequal between males and females for a number of reasons, including a higher retirement age for men and GMP accruing at a faster rate for women; however overall equality of benefits was achieved for public service schemes through the interaction between scheme pensions and the Second State Pension.

The introduction of the new Single State Pension in April 2016 disrupted this arrangement and brought uncertainty over the ongoing indexation of GMPs, which could lead to inequalities between men's and women's benefits.

Strathclyde Pension Fund's actuary has carried out calculations and estimates that the potential impact of GMP indexation would be an increase in the pension liability of approximately £4.178m for Renfrewshire Council.

This estimate is not reflected in the Primary Financial Statements because the trigger event that would require recognition has not yet occurred.

## Note 31: Events after the balance sheet date

Events taking place after the authorised date for issue per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. One example of this is the emerging impact of the McCloud/Sargeant judgement on pension liabilities, as outlined in Note 29: Defined benefit pension schemes, revised since the unaudited accounts were authorised for issue.

The accounts have not been adjusted to reflect events arising from the COVID-19 pandemic and resulting lockdown period that commenced on 23 March 2020. While the response to the initial lockdown response has eased, the financial impact of the pandemic on the Council is not yet fully quantified, and the Scottish Government continues to announce funding and fiscal flexibility measures to help mitigate these costs. It should be noted that such costs are likely to significantly affect the Council's Usable Reserves, as well as the delivery of the Council's strategic objectives in 2020/21.

## Note 32: Assumptions made about the future

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

The items in the Council's Balance Sheet as at 31 March 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainty	Effect if results differ from assumption
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.	The effects on the net pension 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 £147.2m. However, the assumptions interact in complex ways. At 31 March 2020, the Council's actuaries advised that the net pensions liability had decreased by £8.1m as a result of estimates being corrected as a result of experience and by £52.0m and £167.1m arising from demographic and financial assumption updates, respectively.
Debt Impairment	At 31 March 2020, the Council had a balance for long and short term debtors (including council tax, rent arrears and trade debtors) of £85.2m. A review of significant balances suggested that an impairment of doubtful debts of £33.4m was appropriate (net £51.8m). However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, the provision for bad debts would require to be reviewed to consider the appropriate level of provision. However, based upon experience, the bad debt provision is considered adequate.



## Note 33: Accounting Standards Issued not Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The following new or amended standards are adopted within the 2020/21 Code:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRS Standards 2015–2017 Cycle;
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement;
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to line item specifications for the net assets statement as detailed in Section 6.5, paragraph 6.5.3.6 b).

The Code requires implementation from 1 April 2020 and there is therefore no impact on the 2019/20 accounts. There is no material impact anticipated in future years from the implementation of these standards.

## Note 34: Judgements in Applying Accounting Policies

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

Where a judgement has been made this is referred to in the relevant note to the core financial statements; however, a summary of those with the most significant effect is detailed below.

Leases	Following an examination of all property and other asset leases, the Council has concluded that all land leases are operating leases. Leases relating to buildings in a number of cases meet the criteria for a finance lease as opposed to an operating lease, and they have been accounted for on this basis.
PFI/PPP and similar arrangements	The Council is deemed to control the services provided under the agreement for the provision of educational establishments. The accounting policies for PFI schemes and similar arrangements have been applied and the assets under the contract are included within Property, Plant and Equipment on the Council's Balance Sheet. Note 15 provides further details.
Public Sector Funding	There is uncertainty about future levels of funding for local government in the medium term. However, the Council has assessed that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
Impairment of financial assets	In line with IFRS9: Financial Instruments, the approach to impairment of financial assets depends on the type of asset being assessed, either using a 'historic loss rate' approach, or a 'probability of default' approach, whereby historical experience of default rates across a similar class of instrument and credit rating is used to estimate 12-month expected credit losses.



Employee Benefits short-term provision	The Council has used a sampling approach to calculating the short-term provision for employee short-term compensated absences. A 10% random sample of non-teachers and 100% of teachers were used to calculate the short-term provision necessary for annual leave owed or owing at 31 March 2020. Flexi leave is no longer included and was removed from the Balance Sheet in 2019/20.
Valuation of assets	<p>The Council employs professional valuers who are registered with the Royal Institution of Chartered Surveyors. These valuers carry out regular reviews of the value of assets reported in the Balance Sheet and any significant changes in value are processed as asset revaluations or impairments. These values are based on their professional opinion using available market information at the time of assessment.</p> <p>The impact of COVID-19 means that the Council is faced with an unprecedented set of circumstances upon which to base valuation judgements. Valuations are therefore reported with material valuation uncertainty. Consequently, less certainty and a higher degree of caution should be attached to asset valuations, particularly for those classed as Investment Assets (NBV £1.5m) and Surplus Assets (NBV £22.1m), than would normally be the case.</p> <p>Given the unknown future impact that COVID-19 may have on the property market, these valuations will be kept under review. It should be noted, however, that the sharp collapse in property values once anticipated has not yet materialised as of the balance sheet date. It is possible that the impact will be longer-term and related to further economic recession.</p>

## Note 35: Accounting Policies – Renfrewshire Council

The Financial Statements for the year ended 31 March 2020 have been prepared in accordance with proper accounting practice as per section 12 of the Local Government in Scotland Act 2003. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice, supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the Council and comparative figures for the previous financial year are provided. There are no significant departures from these recommendations. The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of non-current assets and financial instruments, and on a going concern basis.

### A Accruals of Expenditure and Income

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

- i) Revenue from the sale of goods or provision of services is recognised when the performance obligation relating to the transaction has been satisfied, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council.
- ii) 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. Works are charged as expenditure when they are completed, before which they are carried as assets under construction on the Balance Sheet.
- iii) Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument. Interest receivable and dividend income is recognised when it is probable that the

economic benefits or service potential associated with the transaction will flow to the Council.

- iv) Where income 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 there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- v) Suppliers invoices paid in the two weeks following the year-end are accrued together with specific accruals in respect of further material items provided the goods or services were received by 31 March 2020 or relate to services associated with the prior financial year.

## B Business Improvement District

Following the formation of the Paisley First BID company on 15 January 2015, the Council has entered into an agreement to act as the billing body for the purposes of the Planning etc. (Scotland) Act 2006 and the Regulations and is responsible for the administration, collection and recovery of the BID Levy. As the Council is acting as agent for the BID company, no transactions in relation to the BID levy or BID Revenue Account are included in the CIES with the exception of any contribution made by the Council to the BID project, the costs and income related to the collection of the BID levy or any income from the BID company in relation to services provided.

## C Carbon Reduction Commitment Scheme

The Council was required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme and to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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 the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of services and is apportioned on the basis of energy consumption.

The UK government announced in 2016 that the CRC energy efficiency scheme will be abolished following the 2018/19 compliance year and it therefore came to an end on 31 March 2020.

## D Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand less overdrafts repayable on demand. Cash equivalents are defined as call accounts, money market funds and instant deposits. Fixed term deposits are not classified as cash or cash equivalents as these are held for investment purposes rather than for meeting short-term cash commitments.

## E Charges for the Use of Assets

Services are charged for the use of assets no matter how they are financed and this charge includes a provision for depreciation where appropriate.

## F Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the financial statements, but are disclosed as a note to the accounts where they are deemed material.

## G Employee Benefits

### Benefits payable during employment

All salaries and wages earned up to 31 March 2020 are included in the Accounts irrespective of when payment was made. An accrual is made for the cost of holiday and flexi-leave entitlements earned by employees, but not taken before the year end and which employees may carry forward into the next financial year; along with any pay inflation agreed for the year and not yet paid.

## Termination benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy. They are charged on an accruals basis to the relevant service line in the CIES when the Council is demonstrably committed to either terminating the employment of an officer or making an offer to encourage voluntary redundancy. The Council is only demonstrably committed to a termination when it has a detailed formal plan for the termination and it is without realistic possibility of withdrawal. Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council 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 to replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## Post-employment benefits

The Council participates in two formal pension schemes: the Local Government Pension Scheme which is administered by Strathclyde Pension Fund; and the Scottish Teachers' Superannuation Scheme. Liabilities for the Scottish Teachers' Superannuation Scheme cannot be identified specifically to the Council; therefore, the scheme is accounted for as a defined contributions scheme.

The Local Government Pension Scheme is accounted for as a defined benefit scheme in accordance with International Accounting Standard 19 (IAS19) (as revised in 2011). Renfrewshire Council's share of the net pension asset or liability in Strathclyde Pension Fund and a pension reserve are recognised in the Balance Sheet. The CIES recognises changes during the

year in the pension asset or liability. Service expenditure includes pension costs based on employers' pension contributions payable and payments to pensioners in the year. Liabilities are included in the Balance Sheet on an actuarial basis using the projected unit method. Liabilities are discounted to their value at current prices using a discount rate based on the indicative rate of return on high quality corporate bonds. Assets are included in the Balance Sheet at their fair value, principally the bid price for quoted securities, and estimated fair value for unquoted securities.

## H Events after the Balance Sheet date

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

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

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

## I Prior Period Adjustments

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the CIES or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

Where there has been a change in accounting policy, that change will be applied retrospectively. Where there has been a change in accounting estimate, that change will be applied prospectively. Where a material misstatement or omission has been discovered relating to a prior period, that

misstatement or omission will be restated unless it is impracticable to do so.

## J Financial Instruments

### Financial Assets

Financial assets are classified into three categories of valuation:

- At amortised cost;
- At fair value through other comprehensive income – designated equity instruments; and
- At fair value through profit or loss.

#### *Financial Assets Measured at Amortised Cost*

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the CIES 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 made by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES. The Council has assets such as investments and debtors which are classified as financial assets measured at amortised cost. These were previously classified as loans and receivables at 31 March 2019.

#### *Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI)*

Financial assets that are measured at FVOCI are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured and

carried at fair value. Investment income is credited to Financing and Investment Income and Expenditure in the CIES when it becomes receivable by the Council. Where an equity instrument is designated as FVOCI, changes in fair value are posted to Other Comprehensive Income and Expenditure and are balanced by an entry in the Financial Instruments Revaluation Reserve (an unusable reserve).

When the asset is derecognised, the cumulative gain or loss previously recognised in Other Comprehensive Income and Expenditure is transferred from the Financial Instruments Revaluation Reserve and recognised in the Surplus or Deficit on the Provision of Services. The Council has made an irrevocable election to designate these assets as FVOCI on the basis that they are held for non-contractual benefits, not for trading, but for strategic purposes.

#### *Financial assets measured at fair value through profit and loss*

Assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the CIES when it becomes receivable by the Council.

Assets values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

### *Expected Credit Loss Model*

Where assets are identified as impaired as a result of an expected credit loss, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

## Financial Liabilities

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

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 Income and Expenditure Account in the year of extinguishment. 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 CIES is spread over the

life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

## Financial Guarantees

Financial guarantees are recognised at fair value assessed as the probability of the guarantees being called and the likely amount payable under the guarantees.

## Loans Fund

The Council operates a Loans Fund and all loans raised are paid into the Fund. Advances are made to departments to finance capital expenditure during the year. Repayments to the Loans Fund are calculated using the annuity method.

The local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 - loans fund accounting came into force on 1 April 2016 and replaced the statutory provisions for local authority borrowing, lending and loans funds as set out in Schedule 3 of the local Authority (Scotland) Act 1975. The regulations contain the following provisions in respect of the loans fund:

- Regulation 12 places a duty on a local authority to maintain a loans fund, which is to be administered in accordance with the proper accounting practices and prudent financial management,
- Regulation 13 requires a local authority to make loans fund advances each year for expenditure of or lending to third parties by, the local authority



which it has determined should be met from borrowing, and

- Regulation 14 requires a local authority to determine for each loans fund advance the period over which it will be repaid and the amount of each repayment. Both the period and the annual amounts must be considered by the authority to be prudent.

Interest is calculated and allocated to the CIES in accordance with Local Authorities Scotland Accounts Advisory Committee's (LASAAC) Guidance Note 2: Statement on the Calculation and Allocation of Loans Fund Interest and Expenses.

## Financial Instruments - Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability take place either in the principal market for that asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Valuation techniques used are appropriate in the circumstances and have sufficient data 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 or disclosed in the financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority 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
- Level 3 – unobservable inputs for the asset or liability.

The fair value hierarchy gives priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

## K Government Grants and other Contributions

Government grants and third-party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

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

Amounts recognised as due to the Council are not credited to the CIES until conditions attaching to the grant or contribution have been satisfied.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Grant Income in the CIES.

Where capital grants are credited to the CIES, 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 Account. Where it has been applied, it is posted to the Capital Adjustment Account.

Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied.

## L Heritage Assets

The Council's heritage assets are held in the museums operated by Renfrewshire Leisure Limited (Paisley Museum and Art Gallery, Renfrew Town Hall and Museum, and The Secret Collection).

The purpose of holding these assets according to the Museums' Statement of Purpose is "to enhance public understanding of the human and natural world, principally by the use of original objects".

Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting

policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets.

The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below. Purchased acquisitions are recognised at cost and donated acquisitions are recognised at valuation with reference to appropriate commercial markets. Acquisitions are made in line with the approved Acquisition and Disposal Policy. The collections of heritage assets are accounted for as follows:

Art Collection	The collection includes fine, contemporary and applied art works. The collection is included in the balance sheet at market value where this is available (from external valuations provided by suitably experienced and knowledgeable experts) or insurance valuations provided by the relevant collection curator. The assets within the collection are deemed to have indeterminate lives and a high residual value, and therefore no depreciation is charged.
Shawl and textile design	The museums hold a collection of approximately 1,000 Paisley-type shawls, and a considerable collection of original designs for shawl manufacture. The collection is included in the balance sheet at insurance valuation which is based on market values. The assets within the collection are deemed to have indeterminate lives and a high residual value, and therefore no depreciation is charged.
Natural History	The collection includes vertebrate and invertebrate zoology, botany, geology and microslide collections; in addition to a library of natural history books. The collection is included in the balance sheet at insurance valuation which is based on market values. The assets within the collection are deemed to have indeterminate lives and a high residual value, and therefore no depreciation is charged.
Human History	The museums hold collections relating to social history, transport, science (including an important collection of astronomical apparatus in Coats Observatory), archaeology, arms, local archives, numismatics, photography, textiles, ethnography and Egyptology. The collection is included in the balance sheet at insurance valuation which is based on market values. However, where an external valuation or cost information is available, or a valuation may be secured at a cost which is not prohibitive relative to the value of the item, then the Council will recognise the asset in the balance sheet at this value. The assets within the collection are deemed to have indeterminate lives and a high residual value, and therefore, no depreciation is charged.

In addition to the museum collections, there are a number of public space statues, monuments, memorials, fountains and outdoor artworks at various locations throughout Renfrewshire. These assets are not generally recognised in the balance sheet. The

Council considers that obtaining valuations would involve disproportionate cost and that reliable cost or valuation information cannot be obtained for these items. This is because of the diverse nature of assets held, the number of assets and the lack of comparable



data. However, where reliable cost information can be reasonably obtained, the asset will be included in the balance sheet.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, eg where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Heritage assets will occasionally be disposed of in accordance with the approved Acquisitions and Disposal Policy (a copy of which is available). Assets are only disposed of for curatorial reasons (eg the item has deteriorated to such an extent it is no longer suitable for public display) and not with the aim of generating funds. Any proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts. Expenditure incurred in preserving individual items is recognised in the CIES.

## M Intangible Assets

The Council accounts for purchased software licences and CRC allowances purchased prospectively as Intangible Assets. Expenditure on intangible assets is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of an intangible asset is amortised over its useful life. An asset is tested for impairment whenever there is an indication that the asset might be impaired. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the CIES.

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 and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## N Interests in Companies and Other Entities

The Council has material interests in two charitable companies, a limited liability partnership and Joint Boards and Committees that have the nature of subsidiaries and associates under accounting conventions, requiring it to prepare group accounts. In the Council's own single-entity accounts, these interests are not recorded as the Council has no shares in, or ownership of, any of these organisations. Reflected in the Council's single-entity balance sheet is a 50% share in an Integration Joint Board, which is recorded as an investment.

## O Inventories

Inventories (generally consumable stock) are included in the Balance Sheet at weighted average cost.

## P Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the CIES. 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 Receipts Reserve.

## Q 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 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 Council as Lessee

#### Finance Leases

Property, plant and equipment held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease liability, and
- a finance charge (debited to the CIES).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the assets estimated useful life.

#### Operating Leases

Rentals paid under operating leases are charged to the CIES. Title to the property, plant or equipment remains with the lessor.

### The Council as Lessor

#### Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

Lease rentals receivable are apportioned between:

- a capital receipt for the disposal of the asset – applied to write down the Debtor (together with any premiums received); and
- finance income (credited to the CIES).

#### Operating Leases

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

## R Overheads and Central Support Costs

Where internal costs are allocated to user departments, the basis of allocation varies by originating department, for example the cost of Payroll Services may be allocated on the number of payslips per service. In many instances the allocation is time-based. Internal transactions are no longer present in the income and expenditure figures reported in the CIES.

## S PFI Schemes – School Buildings Maintenance and Other Facilities

The Council carries the assets used under PFI contracts on its Balance Sheet as part of 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.

The accounting treatment of the PFI scheme is in accordance with IFRIC12 *Service Concession Arrangements*.

## T 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. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential 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.

The cost of assets acquired other than by purchase is deemed to be its fair value. The valuation of work-in-progress is based on cost plus an appropriate proportion of overheads, together with attributable profits and allowances for foreseeable losses.

Plant, furniture and computer equipment costing less than £9,000 are not treated as fixed assets. This de-minimis level does not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the CIES. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account.

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

- infrastructure, community assets and assets under construction – depreciated historical cost;
- council dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH). Council dwellings are valued using a Beacon Principle (adjusted vacant possession) methodology in accordance with the Royal Institution of Chartered Surveyors (RICS) guidance;
- Vehicles, plant, furniture and equipment – depreciated replacement cost;
- Other land and buildings – fair value, determined as the market value amount that would be paid for the asset in its existing use (existing use value – EUV). Operational assets are shown at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets are shown at the lower of net current replacement cost or net realisable value.

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. The effective date of any revaluation is 31 March. Valuations are undertaken by the Council Valuer who is MRICS qualified. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. 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.

## Fair Value Measurement

The authority measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The authority 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 for which fair value is measured are categorised within the fair value hierarchy as follows:

- Level 1 - quoted prices in active markets for identical assets that the authority can access at the measurement date;
- Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly;
- Level 3 - unobservable inputs for the asset.

## 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 an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- 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, the carrying amount of the asset is written down against the relevant service line(s) in the CIES

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

## Disposals

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 CIES. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale. 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 CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the CIES also as part of the gain or loss on disposal (i.e. 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.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts and are credited to the Capital Receipts Reserve.

## Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life, investment properties 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 useful life of the property of between 10 and 50 years as estimated by the Council Valuer
- vehicles, plant and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer based on useful lives of between 3 and 30 years.
- infrastructure – straight-line allocation over 40 years.

General Fund services are charged with depreciation where appropriate for the use of assets no matter how they are financed. Depreciation on the Council's non-operational assets is not charged to service revenue accounts. It is however reflected in the CIES through non-distributable costs.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. Significance is determined by comparing a component's cost against the overall cost of an asset, and a component is deemed significant if its cost is 20% or more of the total asset cost. The de-minimis threshold for componentisation is £1m.

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.

## U Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the CIES. 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.

## V Reserves

The Council has various reserve funds. The two capital reserves arising from the system of capital accounting are the Revaluation Reserve and the Capital Adjustment Account. The former of these represents the store of gains on revaluation of fixed assets not yet realised through sales and the latter relates to amounts set aside from capital resources to meet past expenditure.

The two accounting reserves arising from the restatement of financial instruments to "fair value" are the Financial Instruments Adjustment Account and the Financial Instruments Revaluation Reserve. The Financial Instruments Adjustment Account is a balancing account to allow for differences in statutory requirements and proper accounting practices for lending & borrowing by the Council. The Financial Instruments Revaluation Reserve is a store of gains or losses on revaluation of the investments of the Insurance Fund not yet realised through sales.

The Pension Reserve arises from the IAS19 accounting disclosures for retirement benefits and recognises the Council's share of actuarial gains and losses in the Strathclyde Pension Fund and the change in the Council's share of the Pension Fund net liability chargeable to the CIES.

## W Revenue Expenditure Funded from Capital under Statute

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

## X VAT

Income and Expenditure excludes any amount relating to Value Added Tax (VAT), as all VAT is payable to HM Revenue & Customs and all VAT is recoverable from them.



## Housing Revenue Account

### Income and expenditure statement

The Housing Revenue Account (HRA) reflects a statutory obligation to maintain a revenue account for local authority housing provision in accordance with the Housing (Scotland) Act 1987. The Housing Revenue Account income and expenditure statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Councils charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the movement on the Housing Revenue Account statement.

2018/19 £m		2019/20 £m
13.374	Repairs and maintenance	15.703
13.002	Supervision and management	15.825
28.331	Depreciation and impairment of non-current assets	25.268
0.074	Increase/(Decrease) in the allowance for bad debts	0.211
0.732	Other expenditure	0.628
55.513	<b>Total Expenditure</b>	<b>57.635</b>
(46.397)	Dwelling rents	(47.091)
(1.468)	Non-dwelling rents	(1.484)
(0.942)	Other income	(2.118)
(48.807)	<b>Total Income</b>	<b>(50.693)</b>
6.706	<b>Net Cost of HRA services as included in the CIES</b>	<b>6.942</b>
	<b>HRA share of the operating income and expenditure included in the CIES:</b>	
(0.282)	(Gain)/Loss on sale of HRA non-current assets	0.906
4.561	Interest payable and similar charges	3.986
0.000	Interest and investment income	(0.143)
0.215	Pensions interest cost and expected return on pensions assets	0.321
(5.631)	Taxation and non specific grant income	(3.737)
5.569	<b>Deficit for the year on HRA services</b>	<b>8.275</b>

### Movement on the Housing Revenue Account statement

This statement shows the movement in the year on the Housing Revenue Account (HRA) Balance. The surplus or deficit for the year on the HRA income and expenditure statement represents the true economic cost of providing the Council's HRA services, more details of which are shown in the HRA income and expenditure statement itself.

The adjustments between accounting basis and funding basis under regulations detail the adjustments that are made to the HRA income and expenditure, as recognised by the Council in the year in accordance with proper accounting practice, to the statutory amounts required to be charged to the HRA Balance for dwellings rent setting purposes. An analysis of these adjustments can be found in Note 6 on page 38.



2018/19 £m		2019/20 £m
(6.807)	Balance on the HRA at 1 April	(6.807)
5.569	Deficit for the year on the HRA income and expenditure statement	8.275
(5.569)	Adjustments between accounting basis and funding basis under statute	(8.275)
(6.807)	Net (Increase)/Decrease before transfers to or from reserves	(6.807)
0.000	Transfers to/(from) reserves	0.000
(6.807)	Balance on the HRA at 31 March	(6.807)

## Notes to the Housing Revenue Account income and expenditure statement

### 1. The number and types of dwelling in the Council's housing stock

The Council was responsible for managing 12,066 dwellings during 2019/20 (12,002 in 2018/19). The following shows an analysis of these dwellings by type. The figures below exclude void initiative properties.

As at 31 March 2019		Type of dwelling	As at 31 March 2020	
Number	Average weekly rent		Number	Average weekly rent
417	£60.74	One-apartment	416	£63.41
3,668	£68.88	Two-apartment	3,675	£71.69
5,727	£77.81	Three-apartment	5,753	£81.09
1,981	£86.97	Four-apartment	2,015	£90.62
209	£93.62	Five-apartment	207	£97.46
12,002		Total	12,066	

### 2. Gross rent income

This is the total rental income chargeable for the year and includes a deduction for voids (£0.863m in 2019/20 and £0.729m in 2018/19), but excludes irrecoverable and bad debts. Average rents were £79.61 per week in 2019/20 (£76.31 in 2018/19). The total rent income for 2019/20 reflects the decision of the Council to charge only a nominal rent in respect of initiative voids.

### 3. Amount of rent arrears

At 31 March 2020 total rent arrears amounted to £2.743m (£2.305m at 31 March 2019). This is 5.86% of the total value of rents due at 31 March 2020.

### 4. Provision for uncollectable rent arrears

In the financial year 2019/20 the rental bad debt provision has been decreased by £0.068m (£0.074 increase in 2018/19). The provision to cover the potential loss of income stands at £1.504m at 31 March 2020 (£1.572m at 31 March 2019). This is 3.21% of the total value of annual rents due.

### 5. Share of corporate costs

In the financial year 2019/20 the HRA share of Corporate and Democratic Core costs amounted to £0.035m (£0.035m in 2018/19).

## Council Tax Income Account

The Council Tax income account shows the gross income raised from Council Taxes levied and deductions made under statute. Councils raise taxes from residents through Council Tax, which is a tax linked to property values. The Council Tax Reduction Scheme represents a discount introduced across Scotland following the abolition of Council Tax Benefits as part of the UK government's Welfare Reform programme. The resultant net income is transferred to the Council's CIES.

2018/19 £m		2019/20 £m
103.961	Gross council tax levied	110.290
(14.838)	Other discounts and reductions	(15.663)
(12.390)	Council tax reduction scheme	(12.749)
(1.595)	Write-off of uncollectable debts and allowance for impairment	(2.262)
0.261	Adjustment to previous years' community charge and council tax	(0.932)
75.399	Transfer to the Comprehensive Income and Expenditure Statement	78.684

### 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 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, which are based on pre-determined proportions relative to the band D charge. The band D charge for 2019/20 was £1,257.09 (£1,199.63 in 2018/19).

2018/19 £	Council Tax Band	2019/20 £
799.75	A	838.06
933.05	B	977.74
1,066.34	C	1,117.42
1,199.63	D	1,257.09
1,576.18	E	1,651.68
1,949.40	F	2,042.77
2,349.28	G	2,461.81
2,939.09	H	3,079.88

If a property is occupied by only one person over 18, a discount of 25% is applied.

Since 15 July 2016, unoccupied and unfurnished properties have been exempt from Council Tax for the first six months. A discount of 10% is then available for the next six months and 100% additional Council Tax levy is then payable for as long as the property remains empty, although the 10% discount may be extended by a further 12 months if the property is being actively marketed for sale or let.

Certain persons are disregarded for Council Tax purposes, including students, people who are in detention and those who are severely mentally impaired. Reductions in Council Tax are available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. 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

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.

Band	Number of dwellings	Number of exemptions	Disabled relief	Discounts	Council Tax Reduction	Total equivalent dwellings	Ratio to Band D	2019/20 Band D equivalent	2018/19 *Band D equivalent
A	13,519	1,972	7	2,041	4,076	<b>5,515</b>	0.67	<b>3,676</b>	3,615
B	25,795	1,539	92	3,363	5,942	<b>14,920</b>	0.78	<b>11,604</b>	11,471
C	14,832	493	61	1,565	1,965	<b>10,796</b>	0.89	<b>9,596</b>	9,488
D	12,576	278	48	1,129	686	<b>10,508</b>	1.00	<b>10,508</b>	10,328
E	11,172	173	73	686	399	<b>9,889</b>	1.31	<b>12,993</b>	12,829
F	6,450	65	48	285	111	<b>5,962</b>	1.63	<b>9,688</b>	9,434
G	3,896	78	21	133	48	<b>3,616</b>	1.96	<b>7,080</b>	6,828
H	226	18	0	8	1	<b>199</b>	2.45	<b>488</b>	486
	<b>88,466</b>			Band A dwellings subject to disabled relief				5	3
				Class 17 and 24 dwellings				77	108
						<b>Sub-total</b>		<b>65,715</b>	<b>64,590</b>
						Less: Provision for non-payment and future award of discounts and reliefs		-3,854	-3,293
						<b>Council Tax Base</b>		<b>61,861</b>	<b>61,297</b>

\*2018/19 Band D equivalent figures have been restated to account for dwellings subject to Council Tax Reduction.

## Non-Domestic Rates Income Account

This account is an agent's statement that reflects the statutory obligation for those councils who issue bills to non-domestic rate payers to maintain a separate non-domestic rate account. The account shows the rates collected from non-domestic rate payers during the year. Any difference between the rates collected and the amount the Council is guaranteed to receive under the national pooling arrangements is adjusted via the Scottish Government's general revenue grant to the Council. Non-domestic rate income is redistributed from the national non-domestic rate pool in proportions based on the prior year mid-year income returns net of prior year adjustments. In 2012/13 the Scottish Government introduced the Business Rates Incentivisation Scheme (BRIS) which allows councils, where an agreed target income figure is exceeded, to retain 50% of the 'above target' income.

2018/19 £m		2019/20 £m
150.114	Gross rates levied	147.597
(20.847)	Reliefs and other deductions	(20.946)
(2.039)	Write-off of uncollectable debts and allowance for impairment	(2.553)
127.228	Net Non-Domestic Rates income	124.098
(9.746)	Adjustment to previous years' non-domestic rates	(10.817)
2.623	Contribution (to)/from the National Non-Domestic Rate pool	(8.864)
0.000	Non-domestic rate income retained by authority (BRIS)	0.000
120.105	Transfer to the Comprehensive Income and Expenditure Statement	104.417

### The nature and amount of each rate fixed

The non-domestic rates charge for each subject is determined by the rateable value placed upon it by the Assessor, multiplied by the rate per pound (the "rate poundage") set each year by the Scottish Government. For 2019/20 the charge was 49.0 pence in the pound, with a 2.6 pence supplement for properties with a rateable value over £51,000. Under the Small Business Bonus Scheme (SBBS) relief is available to businesses where the combined rateable value of all business premises is £35,000 or less and the rateable value of individual premises is £18,000 or less. Properties with a total rateable value up to and including £15,000 are entitled to a 100% reduction in their business rates on each individual property and properties with a rateable value of between £15,001 to £35,000 receive a 25% reduction on each individual property with a rateable value of £18,000 or less.

### Analysis of Renfrewshire Council's rateable values

Analysis of Rateable Values	2019/20 £m
Commercial	109.132
Industrial and freight transport	48.443
Education and public service	32.533
Communications	0.010
Others	110.224
Rateable Value at 1 April	300.342
Adjustments (Full Year Rateable Value)	(10.830)
Rateable Value at 31 March	289.512
Less: Wholly Exempt Subjects	(1.421)
Net Rateable Value at 31 March	288.091

## Group Accounts

### Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing operations during the year. It includes, on an accruals basis, all day-to-day expenses and related income. The statement shows the accounting cost in accordance with generally accepted accounting practices, rather than the cost according to the statutory regulations that specify the net expenditure that councils need to take into account when setting the annual council tax charge. The required adjustments between accounting basis and funding basis under regulations are shown in the group movement in reserves statement.

2018/19			Note	2019/20		
Gross expenditure £m	Gross income £m	Net expenditure £m		Gross expenditure £m	Gross income £m	Net expenditure £m
211.227	(18.119)	193.108		230.636	(27.504)	203.132
125.509	(115.190)	10.319		116.119	(106.472)	9.647
88.432	(22.387)	66.045		83.743	(13.650)	70.093
55.686	(6.865)	48.821		58.774	(7.901)	50.873
43.663	(17.313)	26.350		40.402	(12.923)	27.479
26.589	(14.005)	12.584		8.320	(13.212)	(4.892)
195.171	(124.484)	70.687		206.913	(131.240)	75.673
<b>746.277</b>	<b>(318.363)</b>	<b>427.914</b>		<b>744.907</b>	<b>(312.902)</b>	<b>432.005</b>
3.007	0.000	3.007		0.000	(0.651)	(0.651)
24.786	(2.600)	22.186	G6	26.563	(2.127)	24.436
0.000	(409.399)	(409.399)	4	0.000	(427.986)	(427.986)
<b>774.070</b>	<b>(730.362)</b>	<b>43.708</b>		<b>771.470</b>	<b>(743.666)</b>	<b>27.804</b>
		(1.803)				(7.096)
		<b>41.905</b>				<b>20.708</b>
		(16.337)				(102.425)
		0.639				0.000
		(0.769)				1.139
		83.078				(146.035)
		1.280				(3.101)
		<b>67.891</b>				<b>(250.422)</b>
		<b>109.796</b>				<b>(229.714)</b>

\*FVOCI: Fair Value through Other Comprehensive Income.

## Group Movement in Reserves Statement

The group movement in reserves statement shows the movement in the year on the different reserves held by the Council's group, analysed into the Council's usable reserves, the Council's unusable reserves and the Council's share of the reserves of the subsidiaries, associates and joint ventures within the group.

	Note	Council's Usable Reserves £m	Council's Unusable Reserves £m	Council's Total Reserves £m	Council's share of Reserves of Subsidiaries, Associates and Joint Ventures £m	Total Reserves £m
Balance at 1 April 2019		154.606	747.199	901.805	56.211	958.016
<b>Movement in reserves during the year</b>						
Total Comprehensive Income and Expenditure		(13.407)	242.561	229.154	0.560	229.714
Adjustments between Group accounts and Council accounts	G5	(12.110)	0.000	(12.110)	12.110	0.000
Adjustments between accounting basis and funding basis under regulations	6	30.532	(30.532)	0.000	0.000	0.000
Increase / (Decrease) in year		5.015	212.029	217.044	12.670	229.714
<b>Balance at 31 March 2020</b>		<b>159.621</b>	<b>959.228</b>	<b>1,118.849</b>	<b>68.881</b>	<b>1,187.730</b>

<b>Comparative movements in 2018/19</b>						
	Note	Council's Usable Reserves £m	Council's Unusable Reserves £m	Council's Total Reserves £m	Council's share of Reserves of Subsidiaries, Associates and Joint Ventures £m	Total Reserves £m
Balance at 1 April 2018		149.407	858.144	1,007.551	60.261	1,067.812
<b>Movement in reserves during the year</b>						
Total Comprehensive Income and Expenditure		(32.025)	(63.826)	(95.851)	(13.945)	(109.796)
Adjustments between Group accounts and Council accounts	G5	(9.895)	0.000	(9.895)	9.895	0.000
Adjustments between accounting basis and funding basis under regulations	6	47.119	(47.119)	0.000	0.000	0.000
Increase / (Decrease) in year		5.199	(110.945)	(105.746)	(4.050)	(109.796)
<b>Balance at 31 March 2019</b>		<b>154.606</b>	<b>747.199</b>	<b>901.805</b>	<b>56.211</b>	<b>958.016</b>

## Group Balance Sheet

The group balance sheet shows the value as at 31 March 2020 of the assets and liabilities recognised by the Council. The net assets of the Council's group are matched by the reserves held by the group. Reserves are reported in two categories: usable reserves, which are 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; and unusable reserves, comprising those that the group is not able to use to provide services. This category includes reserves that hold unrealised gains/losses in the value of assets where amounts would only become available to provide services if the assets are sold, and reserves that hold timing differences shown as 'adjustments between accounting basis and funding basis under regulations' in the group movement in reserves statement.

As at 31 March 2019 (restated) £m		Note	As at 31 March 2020 £m
1,355.691	Property, plant and equipment	G11	1,485.775
39.522	Heritage assets	G10	39.522
2.229	Investment property	G9	2.020
5.845	Intangible assets	13	5.037
22.021	Long-term investments	G15	28.057
29.369	Investments in associates and joint ventures	G3	38.772
2.614	Long-term debtors	19	2.172
1,457.291	Long-term assets		1,601.355
1.500	Short-term assets held for sale	11	0.700
0.037	Short-term intangible assets	17	0.000
103.292	Short-term investments	G15	86.341
1.197	Inventories		1.071
47.474	Short-term debtors	G12	54.623
47.423	Cash and cash equivalents	G15	13.141
200.923	Current assets		155.876
(68.947)	Short-term borrowing	G15	(50.273)
(97.680)	Short-term creditors	G13	(81.814)
(0.096)	Short-term provisions	22	(0.277)
(166.723)	Current liabilities		(132.364)
(75.469)	Long-term creditors		(79.492)
(5.420)	Long-term provisions	22	(4.745)
(168.357)	Long-term borrowing	G15	(187.497)
(1.516)	Liabilities in associates and joint ventures	G3	(0.722)
(282.713)	Other long-term liabilities		(164.681)
(533.475)	Long-term liabilities		(437.137)
958.016	Net assets		1,187.730
(179.360)	Usable reserves	G7	(184.366)
(778.656)	Unusable reserves	G8	(1,003.364)
(958.016)	Total reserves		(1,187.730)

**Alan Russell CPFA**  
Director of Finance  
and Resources

The unaudited accounts were issued on 25 June 2020 and the audited accounts were authorised for issue on the signature date shown.



## Group Cashflow Statement

The group cash flow statement shows the changes in cash and cash equivalents of the Council's group during the year. It shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources that are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (that is, borrowing) to the Council. The Council's share of the cash flows of its associates and joint ventures is disregarded for the purpose of this statement because the Council's share of the associates' and joint ventures' reserves is unusable and cannot be used to fund services.

2018/19 £m		2019/20 £m
(41.905)	Group surplus/(deficit)	(20.708)
149.468	Adjustment for non-cash movements	81.873
(33.812)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(38.435)
73.751	Net cash flows from operating activities	22.730
(38.040)	Net cash flows from investing activities	(54.024)
(2.577)	Net cash flows from financing activities	(2.988)
33.134	Net increase/(decrease) in cash and cash equivalents	(34.282)
14.289	Cash and cash equivalents at the beginning of the reporting period	47.423
47.423	Cash and cash equivalents at the end of the reporting period	13.141

## Notes to the Group Accounts

The 2018/19 Group results are restated in some accompanying notes either because the Council's share in the entity has been updated or the entity has advised restated 2018/19 results.

### Note G1: Details of the group's combining entities

Renfrewshire Council is represented on the board of a number of organisations. The extent of the Council's controlling interest has been reviewed in determining those entities that should be consolidated and incorporated within the group accounts. Those organisations, which have a significant impact on the Council's operations, are listed below. The accounting period for all of these bodies is the year to 31 March 2020. In addition to the information included in the group accounts on the preceding pages the

accounting regulations require specific disclosures about the combining entities and the nature of their business.

Renfrewshire Leisure Limited, the Paisley, Renfrew and Johnstone Common Good Funds, Paisley Museum Reimagined Ltd, Park Lane Developments (Renfrewshire) LLP and the Coats' Observatory Trust administered by Renfrewshire Council (as sole trustee) are treated as subsidiaries in the Council's group accounts, with assets, liabilities, reserves, income and expenses being consolidated line-by-line.

**Renfrewshire Leisure Limited** is a company limited by guarantee formed in 2014 and registered as a charity in Scotland. Its principal place of business is the Lagoon Leisure Centre, 11 Christie Street, Paisley PA1 1NB. The charity provides leisure and culture facilities within Renfrewshire Council's area to the general public and operates ten leisure centres within

Renfrewshire plus a range of cultural service buildings, libraries and community halls. The objectives of the charity are to provide facilities for recreation, sport, cultural and other leisure activities for the benefit of the community in Renfrewshire. Any surplus generated by the charity is applied solely to its continuation and development. The accounts of the charity are published separately and may be obtained from the Chief Executive, Lagoon Leisure Centre, 11 Christie Street, Paisley PA1 1NB.

**Paisley Museum Reimagined Limited** was formed in 2019 by Renfrewshire Council, with the objective of managing the development and delivery of the fundraising strategy for Paisley Museum and to drive the capital appeal for the redevelopment of Paisley Museum and furthering Paisley's cultural regeneration. The company is treated as a subsidiary within the Group Accounts. Copies of the financial statements may be obtained from its registered office at 5a High Street, Paisley PA1 2AE.

**Park Lane Developments (Renfrewshire) Limited Liability Partnership (LLP)** was formed in 2010 by Renfrewshire Council and Park Lane Real Estate LLP in order to facilitate the regeneration of Paisley town centre through the transformation of the town's former Arnotts store into a mixed-use retail, office and residential development. The Partnership is treated as a subsidiary within the Group Accounts. Copies of the financial statements for the partnership may be obtained from its registered office at 87 Port Dundas Road, Cowcaddens, Glasgow G4 0HF.

The **group comprehensive income and expenditure statement (CIES)** includes total net comprehensive income for the year of £3.890m (2018/19 net comprehensive expenditure of £5.881m) for Renfrewshire Leisure Limited, total net comprehensive expenditure for the year of £1.094m (2018/19 net comprehensive income of £1.299m) for the Paisley, Renfrew and Johnstone Common Good Funds, total net comprehensive expenditure for the year of £0.030m (2018/19 net comprehensive income of £0.030m) for Park Lane Developments (Renfrewshire) LLP, total net comprehensive expenditure for the year of £0.272m (2018/19 nil) for

Paisley Museum Reimagined Limited and total net comprehensive expenditure for the year of £0.021m (2018/19 £0.021m) for the Coats' Observatory Trust.

The **group balance sheet** includes net liabilities of £1.791m (2018/19 £5.681m) for Renfrewshire Leisure Limited, net assets of £35.622m (2018/19 £36.716m) for the Common Good Funds, net liabilities of £3.318m (2018/19 £3.288 m) for Park Lane Developments (Renfrewshire) LLP, net liabilities of £0.272m (2018/19 nil) for Paisley Museum Reimagined Limited and net assets of £0.590m (2018/19 £0.611m) for the Coats' Observatory Trust.

**Strathclyde Concessionary Travel Scheme Joint Committee** comprises the twelve councils in 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 twelve constituent councils and by direct grant funding from the Scottish Government. Strathclyde Partnership for Transport administers the scheme on behalf of the committee. In 2019/20, Renfrewshire Council contributed £0.320m or 7.93% of the committee's estimated running costs (2018/19 £0.320m or 7.83%) and its share of the year-end net asset was £0.058m (2018/19 £0.099m) and is included in the group balance sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, 131 St. Vincent Street, Glasgow G2 5JF.

**Strathclyde Partnership for Transport** was formed on 1 April 2006 as the successor to the Strathclyde Passenger Transport Authority. It is a joint committee of the twelve councils in the west of Scotland. In association with the related strategic development committees, the partnership's remit includes the promotion of joint working to set out the policy framework for achieving the most effective management, development and integration of the transport network across boundaries in the medium to longer term through the Regional Transport Strategy. Renfrewshire Council contributed £2.820m (7.95%) to the committee's estimated running costs in 2019/20 (2018/19 £2.876m or 8.01%) and its share of

the year-end net asset was £33.955m (2018/19 £26.533m) and is included in the group balance sheet. Copies of its accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, 131 St. Vincent Street, Glasgow G2 5JF.

**Renfrewshire Valuation Joint Board** was formed in 1996 at local government re-organisation by Act of Parliament. Its principal place of business is The Robertson Centre, 16 Glasgow Road, Paisley PA1 3QF. The board maintains the electoral, council tax and non-domestic rates registers for the three councils of East Renfrewshire, Inverclyde and Renfrewshire. The board's running costs are met by the three member

councils. Surpluses or deficits on the board's operations are shared between the councils. In 2019/20, Renfrewshire Council contributed £1.408m or 56.3% of the board's estimated running costs (2018/19 £1.251m or 56.3%) and its share of the year-end net liability was £0.722m (2018/19 £1.516m) and is included in the group balance sheet. Copies of its accounts may be obtained from the Treasurer to the Renfrewshire Valuation Joint Board, Renfrewshire Council, Renfrewshire House, Paisley PA1 1JB. The following additional disclosures are required under accounting regulations for Renfrewshire Valuation Joint Board because it is a related party to the Council.

Renfrewshire Valuation Joint Board £m	Renfrewshire Council's Share £m		Renfrewshire Valuation Joint Board £m	Renfrewshire Council's Share £m
As at 31 March 2019		Balance Sheet Summary	As at 31 March 2020	
0.053	0.030	Long-term assets	0.081	0.045
0.381	0.215	Current assets	0.539	0.303
(0.295)	(0.166)	Current liabilities	(0.168)	(0.094)
(2.832)	(1.595)	Long-term liabilities	(1.733)	(0.976)
(2.693)	(1.516)	Net assets/(liabilities)	(1.281)	(0.722)
2018/19		Income and Expenditure Summary	2019/20	
2.384	1.342	Income	2.695	1.517
2.691	1.515	Expenditure	2.650	1.492
(0.307)	(0.173)	Surplus/(deficit) for the year	0.045	0.025

The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and adult social care in Scotland. On 27 June 2015, Scottish Ministers legally established the **Renfrewshire Health and Social Care Integration Joint Board (IJB)** as a formal legal partnership between Renfrewshire Council and NHS Greater Glasgow and Clyde.

The IJB is responsible for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements. Copies of the financial statements for the IJB may be obtained from Chief Officer, Renfrewshire Health and Social Care Integration Joint Board, Renfrewshire House, Cotton Street, Paisley, PA1 1WB.

Renfrewshire Integration Joint Board £m	Renfrewshire Council's Share £m		Renfrewshire Integration Joint Board £m	Renfrewshire Council's Share £m
As at 31 March 2019		Balance Sheet Summary	As at 31 March 2020	
5.473	2.737	Current assets	9.517	4.759
5.473	2.737	Net assets/(liabilities)	9.517	4.759
2018/19		Income and Expenditure Summary	2019/20	
271.216	135.608	Income	311.824	155.912
269.185	134.592	Expenditure	307.780	153.890
2.031	1.016	Surplus/(deficit) for the year	4.044	2.022

## Note G2: Non-material interest in other entities

In addition to the combining entities detailed in note G1, the Council has a “significant interest” in a number of joint committees. The Council’s share of the net assets or liabilities of these joint committees is not material to the fair understanding of the financial position and transactions of the Council. Accordingly, the group accounts do not include these organisations. In the interest of transparency, the following disclosures are made concerning the business nature of each organisation.

**Clyde Muirshiel Park Authority** is a joint committee of three councils – Renfrewshire, Inverclyde and North Ayrshire. The authority is responsible for the management and maintenance of the Clyde Muirshiel Park that extends from Greenock in the north down the Clyde coast to Inverkip, Largs and West Kilbride and inland to Lochwinnoch. Renfrewshire Council contributed £0.360m (65.8%) to the authority’s estimated running costs in 2019/20 (£0.381m in 2018/19).

**Scotland Excel** is formed by agreement among local authorities throughout Scotland and is maintained through a joint committee comprising representatives from all of the member councils. Launched on 1 April 2008 as a centre of procurement expertise for the local government sector, it is the largest non-profit making purchasing agency in Scotland. Its aim is to help improve the efficiency and effectiveness of public sector procurement. Renfrewshire Council

contributed £0.115m (3.2%) to the committee’s estimated running costs in 2019/20 (£0.113m in 2018/19).

**Glasgow and the Clyde Valley Strategic Development Planning Authority.** The committee covers the eight councils within its area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for local planning matters in its area but also the strategic issues that cover the wider area of the Glasgow and Clyde valley. Accordingly, the committee prepares, monitors and reviews the Strategic Development Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. Renfrewshire Council contributed £0.052m (12.5%) to the committee’s estimated running costs in 2019/20 (£0.072m in 2018/19).

**Glasgow City Region – City Deal Cabinet** is a Joint Committee, the purpose of which 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 £1.13 billion investment programme through 20 infrastructure projects and will drive innovation and growth through the support of the key sectors, including delivery of labour market and innovation programmes. The committee operates in an administrative / project management capacity and does not hold any assets or liabilities developed from the City Deal programme.

## Note G3: Associates and joint ventures

The aggregate value of the assets, liabilities, income and expenditure of the Council's associates and joint ventures are shown in the two tables which follow.

The net asset figure from these two tables combined (£33.291m + £4.759m = £38.050m) equates to the net of two figures disclosed in the group balance sheet as 'Investments in associates and joint ventures' (£38.772m) and 'Liabilities in associates and joint ventures' (£0.722m).

Aggregate of Associate results £m	Renfrewshire Council's Share £m	Associates	Aggregate of Associate results £m	Renfrewshire Council's Share £m
As at 31 March 2019		Balance Sheet Summary	As at 31 March 2020	
249.822	20.038	Long-term assets	276.847	22.052
180.656	14.651	Current assets	175.601	14.223
(27.469)	(2.341)	Current liabilities	(20.962)	(1.747)
(73.205)	(7.232)	Long-term liabilities	(5.016)	(1.237)
329.804	25.116	Net assets/(liabilities)	426.470	33.291
2018/19		Income and Expenditure Summary	2019/20	
92.364	8.542	Income	145.358	12.861
80.688	7.755	Expenditure	81.821	7.787
11.676	0.787	Net surplus/(deficit) for the year	63.537	5.074

Aggregate of Joint Venture results £m	Renfrewshire Council's Share £m	Joint ventures	Aggregate of Joint Venture results £m	Renfrewshire Council's Share £m
As at 31 March 2019		Balance Sheet Summary	As at 31 March 2020	
5.473	2.737	Current assets	9.517	4.759
5.473	2.737	Net assets/(liabilities)	9.517	4.759
2018/19		Income and Expenditure Summary	2019/20	
271.216	135.608	Income	311.824	155.912
269.185	134.592	Expenditure	307.780	153.890
2.031	1.016	Net surplus/(deficit) for the year	4.044	2.022

## Note on contingent assets, contingent liabilities and capital commitments

The Council is unaware of any material contingent asset or contingent liability as at 31 March 2020 in relation to any of its associates or joint ventures. The Council is unaware that any capital commitments have been entered into by any of its associates or joint ventures as at 31 March 2020, either with the Council itself or with other parties.

## Note G4: Material items of group income and expenditure

In order to assist the reader in a better understanding of the impact of the inclusion of the results of the associates and joint ventures, the following tables provide an analysis of the Council's share of the material amounts of income and expenditure disclosed in the group CIES.

2018/19 £m	Material items of group income and expenditure	2019/20 £m
	<b>Share of (surplus) or deficit:</b>	
	Subsidiaries:	
(1.004)	Paisley, Renfrew and Johnstone Common Good Funds	(0.039)
0.021	Coats' Observatory Trust	0.021
2.801	Renfrewshire Leisure Limited	2.003
(0.030)	Park Lane Developments (Renfrewshire) Limited Liability Partnership	0.030
0.000	Paisley Museum Reimagined Limited	0.272
	Associates:	
(0.983)	Strathclyde Partnership for Transport	(5.092)
0.023	Strathclyde Concessionary Travel Scheme Joint Committee	0.043
0.173	Renfrewshire Valuation Joint Board	(0.025)
	Joint Ventures:	
(1.016)	Renfrewshire Health and Social Care Integration Joint Board	(2.022)
(0.015)	Aggregate share of (surplus) or deficit	(4.809)
	<b>Share of other comprehensive (income) and expenditure:</b>	
	Subsidiaries:	
(0.295)	Paisley, Renfrew and Johnstone Common Good Funds	1.133
3.080	Renfrewshire Leisure Limited	(5.893)
	Associates:	
0.779	Strathclyde Partnership for Transport	(2.330)
0.000	Strathclyde Concessionary Travel Scheme Joint Committee	(0.002)
0.501	Renfrewshire Valuation Joint Board	(0.769)
4.065	Aggregate share of other comprehensive (income) and expenditure	(7.861)
4.050	Aggregate share of total comprehensive (income) and expenditure	(12.670)



## Note G5: Adjustments between group accounts and council accounts

In the group movement in reserves statement, adjustments between group accounts and council accounts are required to bring the Council's reserve balances back to the amount presented in the Council-only figures (before adjustments between accounting basis and funding basis under regulations). This is because intra-group transactions are eliminated when total comprehensive income and expenditure is calculated for the group.

The adjustments between group accounts and council accounts can be analysed as follows:

2018/19 £m	Adjustments between Group accounts and Council accounts	2019/20 £m
0.145	Grants made by the Paisley, Renfrew and Johnstone Common Good Funds to Renfrewshire Council in contribution towards the funding of community events and projects	0.155
0.059	Governance costs charged to the Paisley, Renfrew and Johnstone Common Good Funds by Renfrewshire Council	0.059
(0.027)	Interest income received from Renfrewshire Council by the Paisley, Renfrew and Johnstone Common Good Funds	(0.027)
(10.072)	Service charge and other expenditure payable by Renfrewshire Council to Renfrewshire Leisure Limited	(13.091)
0.000	Expenditure payable by Renfrewshire Leisure Limited to Renfrewshire Council	0.522
0.000	Expenditure payable by Paisley Museum Reimagined Limited to Renfrewshire Council	0.272
(9.895)	<b>Total adjustments between Group accounts and Council accounts</b>	<b>(12.110)</b>

## Note G6: Group financing and investment income and expenditure

2018/19 £m	Group financing and investment income and expenditure	2019/20 £m
19.976	Interest payable and similar charges	19.500
4.810	Pensions net interest expense	7.063
(1.045)	Interest receivable and similar income	(1.078)
(0.440)	Income and expenditure in relation to investment properties and changes in their fair values	(0.355)
(1.115)	Other investment income	(0.694)
22.186	<b>Total financing and investment income and expenditure</b>	<b>24.436</b>

## Note G7: Group Usable reserves

2018/19 £m	Group Usable Reserves	2019/20 £m
(154.606)	Council Usable Reserves - Note 7	(159.621)
	<b>Group Usable Reserves:</b>	
(23.597)	Paisley, Renfrew and Johnstone Common Good Funds: unrestricted funds	(23.635)
(0.334)	Coats' Observatory Trust: usable balances	(0.313)
(0.358)	Renfrewshire Leisure Limited	(0.368)
0.000	Paisley Museum Reimagined Limited	0.272
(0.465)	Renfrewshire Health and Social Care Integration Joint Board	(0.701)
(179.360)	<b>Total Group Usable Reserves</b>	<b>(184.366)</b>



## Note G8: Group Unusable reserves

Unusable reserves are those reserves that the Council is not able to utilise to provide services. Included within the total Group Unusable Reserves are the unusable reserves of the Council's subsidiaries; also included is the Council's share of the reserves of the associates and joint ventures within the group.

2018/19 £m	Group Unusable Reserves	2019/20 £m
(747.199)	Council Unusable Reserves - Note 8	(959.228)
	<b>Group Unusable Reserves:</b>	
(4.041)	Paisley, Renfrew and Johnstone Common Good Funds: financial instruments revaluation reserve	(3.014)
(9.078)	Paisley, Renfrew and Johnstone Common Good Funds: revaluation reserve	(8.973)
(0.277)	Coats' Observatory Trust: revaluation reserve	(0.277)
6.039	Renfrewshire Leisure Limited: pension reserve	2.159
3.288	Park Lane Developments (Renfrewshire) Limited Liability Partnership	3.318
	<b>Council share of the Reserves of associates and joint ventures:</b>	
(26.533)	Strathclyde Partnership for Transport	(33.955)
(0.099)	Strathclyde Concessionary Travel Scheme Joint Committee	(0.058)
1.516	Renfrewshire Valuation Joint Board	0.722
(2.272)	Renfrewshire Health and Social Care Integration Joint Board	(4.058)
<b>(778.656)</b>	<b>Total Group Unusable Reserves</b>	<b>(1,003.364)</b>

## Note G9: Group investment properties

The following items of income and expense have been accounted for in the 'Financing and investment income and expenditure' line in the group CIES:

2018/19 £m	Group Investment Properties	2019/20 £m
(0.426)	Rental income from investment properties	(0.454)
<b>(0.426)</b>	<b>Net (gain) or loss</b>	<b>(0.454)</b>

There are no restrictions on the Council's ability to realise the value inherent in investment property, nor on the right to the remittance of income and the proceeds of disposal. With regards Common Good properties, the Council is obliged to observe the provisions of the Community Empowerment (Scotland) Act 2015 in terms of public consultation on disposal proposals; however, the right to the remittance of income and proceeds of disposal remains with the Common Good Funds.

The following table summarises the movement in the fair value of investment properties during the year:

2018/19 (restated) £m	Group Investment Properties	2019/20 £m
2.262	Balance at 1 April	2.229
(0.026)	Net losses from fair value adjustments	(0.494)
0.000	Transfers from inventories and property, plant and equipment	0.290
(0.007)	Other changes	(0.005)
2.229	Balance at 31 March	2.020

### Note G10: Group heritage assets

There were no movements in the fair value of the Group's Heritage Assets during 2019/20 or 2018/19. The value at 31 March 2020 was £39.522m. Included in this value are the civic regalia and equipment of the Paisley, Renfrew and Johnstone Common Good Funds, which have been externally valued on a present value insurance basis at £0.219m as at 31 March 2020 (£0.219 at 31 March 2019).

### Note G11: Group Property, plant and equipment

2019/20	Council PPE (Note 9) £m	Council share of Group PPE £m	Total Group PPE £m
Gross carrying amount at 1 April 2019	1,706.562	18.486	1,725.048
Assets reclassified (to) or from the "held for sale" category	0.700	0.000	0.700
Other asset reclassifications	(0.290)	0.000	(0.290)
Additions	90.603	0.026	90.629
Disposals	(4.458)	0.000	(4.458)
Revaluation increases/(decreases) taken to the Revaluation Reserve	72.692	0.000	72.692
Revaluation increases/(decreases) recognised in the surplus or deficit on the provision of services	(1.380)	0.000	(1.380)
Gross carrying amount at 31 March 2020	1,864.429	18.512	1,882.941
Accumulated depreciation and impairment at 1 April 2019	365.825	3.532	369.357
Depreciation charge for the year	63.485	0.752	64.237
Depreciation and impairment on disposals	(3.071)	0.000	(3.071)
Depreciation written out to the Revaluation Reserve	(29.838)	0.000	(29.838)
Depreciation written out to the surplus or deficit on the provision of services	(3.519)	0.000	(3.519)
Accumulated depreciation and impairment at 31 March 2020	392.882	4.284	397.166
Balance sheet net carrying amount at 31 March 2020	1,471.547	14.228	1,485.775
Balance sheet net carrying amount at 1 April 2019	1,340.737	14.954	1,355.691

2018/19	Council PPE (Note 9) £m	Council share of Group PPE £m	Total Group PPE £m
Gross carrying amount at 1 April 2018	1,691.641	18.899	1,710.540
Assets reclassified (to) or from the "held for sale" category	(1.500)	0.000	(1.500)
Other asset reclassifications	(5.507)	0.000	(5.507)
Additions	64.608	0.070	64.678
Disposals	(11.864)	0.000	(11.864)
Revaluation increases/(decreases) taken to the Revaluation Reserve	(14.783)	(0.483)	(15.266)
Revaluation increases/(decreases) recognised in the surplus or deficit on the provision of services	(16.033)	0.000	(16.033)
<b>Gross carrying amount at 31 March 2019</b>	<b>1,706.562</b>	<b>18.486</b>	<b>1,725.048</b>
Accumulated depreciation and impairment at 1 April 2018	345.168	2.879	348.047
Depreciation charge for the year	65.377	0.796	66.173
Depreciation and impairment on disposals	(6.174)	0.000	(6.174)
Depreciation written out to the Revaluation Reserve	(31.454)	0.000	(31.454)
Depreciation written out to the surplus or deficit on the provision of services	(8.396)	0.000	(8.396)
Impairment losses taken to the Revaluation Reserve	0.639	(0.143)	0.496
Impairment losses recognised in the surplus or deficit on the provision of services	0.665	0.000	0.665
<b>Accumulated depreciation and impairment at 31 March 2019</b>	<b>365.825</b>	<b>3.532</b>	<b>369.357</b>
<b>Balance sheet net carrying amount at 31 March 2019</b>	<b>1,340.737</b>	<b>14.954</b>	<b>1,355.691</b>
Balance sheet net carrying amount at 1 April 2018	1,346.473	16.020	1,362.493

## Note G12: Group short-term debtors

The balances detailed below are composed mostly of the debtors of the Council, to which the debtors of Renfrewshire Leisure Limited, Park Lane Developments (Renfrewshire) LLP and the Paisley, Renfrew and Johnstone Common Good Funds have been added.

As at 31 March 2019 (restated) £m	Group Short-term Debtors	As at 31 March 2020 £m
14.978	Trade receivables	11.786
4.871	Prepayments	4.932
27.625	Other receivables	37.905
<b>47.474</b>	<b>Total</b>	<b>54.623</b>

## Note G13: Group short-term creditors

The balances detailed below are composed mostly of the creditors of the Council, to which the creditors of Renfrewshire Leisure Limited, Park Lane Developments (Renfrewshire) LLP and the Paisley, Renfrew and Johnstone Common Good Funds have been added.

As at 31 March 2019 (restated) £m	Group Short-term Creditors	As at 31 March 2020 £m
(21.590)	Trade payables	(25.652)
(76.090)	Other payables	(56.162)
(97.680)	Total	(81.814)

## Note G14: Amounts due between Renfrewshire Council and its associates and joint ventures

An analysis of the amounts owing and owed between the Council and its associates and joint ventures, analysed into amounts relating to loans and amounts relating to other balances, is shown in the table below. The 31 March 2019 figures have been restated to disclose the liability for the Renfrewshire Health and Social Care Integration Joint Board's retained underspend as at that date (£5.499m). Although this liability was not disclosed in the equivalent note to the accounts last year, it had been correctly included in the Council balance sheet and the group balance sheet.

As at 31 March 2019 (restated) £m		As at 31 March 2020 £m
	Amounts owing to Renfrewshire Council:	
0.000	Loans	0.000
0.737	Other balances	0.928
0.737	Total	0.928
	Amounts owed by Renfrewshire Council:	
(5.499)	Liability for Renfrewshire Integration Joint Board's retained underspend	(9.543)
(0.181)	Other balances	(0.507)
(5.680)	Total	(10.050)

## Note G15: Group financial instruments

### Balance sheet carrying amounts of group financial instruments

The following categories of financial instrument are carried in the group balance sheet. Additional qualitative information on the various categories of financial instruments can be found at Note 23.

As at 31 March 2019		Financial Assets	As at 31 March 2020	
Long-term £m	Current £m		Long-term £m	Current £m
0.000	103.000	At amortised cost: Principal	7.000	86.000
0.000	0.295	At amortised cost: Accrued interest	0.000	0.341
0.000	(0.003)	At amortised cost: Loss allowance	0.000	0.000
22.021	0.000	At fair value through other comprehensive income - designated equity instruments	21.057	0.000
<b>22.021</b>	<b>103.292</b>	<b>Total Investments</b>	<b>28.057</b>	<b>86.341</b>
0.000	15.577	At amortised cost: Principal	0.000	(9.067)
0.000	0.007	At amortised cost: Accrued interest	0.000	0.003
0.000	(0.007)	At amortised cost: Loss allowance	0.000	0.000
0.000	31.846	At fair value through profit or loss	0.000	22.205
<b>0.000</b>	<b>47.423</b>	<b>Total Cash and cash equivalents</b>	<b>0.000</b>	<b>13.141</b>
3.690	60.093	At amortised cost: Trade receivables	1.273	61.095
4.998	0.123	At amortised cost: Loans made for service purposes	4.927	0.114
0.725	0.000	At amortised cost: Accrued interest	0.794	0.000
(6.799)	(19.505)	At amortised cost: Loss allowance	(4.822)	(19.332)
<b>2.614</b>	<b>40.711</b>	<b>Total Financial Assets included in Debtors</b>	<b>2.172</b>	<b>41.877</b>

As at 31 March 2019		Financial Liabilities	As at 31 March 2020	
Long-term £m	Current £m		Long-term £m	Current £m
(168.357)	(3.317)	Principal sum borrowed	(167.131)	(1.227)
0.000	(2.620)	Accrued interest	0.000	(2.622)
<b>(168.357)</b>	<b>(5.937)</b>	<b>Total Public Works Loan Board (PWLB) borrowing</b>	<b>(167.131)</b>	<b>(3.849)</b>
0.000	(52.916)	Principal sum borrowed	(20.000)	(32.916)
0.000	(0.883)	Accrued interest	0.000	(0.890)
0.000	(0.922)	EIR adjustments	(0.366)	(0.535)
<b>0.000</b>	<b>(54.721)</b>	<b>Total non-PWLB borrowing ("market debt")</b>	<b>(20.366)</b>	<b>(34.341)</b>
0.000	(8.289)	Borrowing from group entities	0.000	(12.083)
<b>(168.357)</b>	<b>(68.947)</b>	<b>Total Borrowing</b>	<b>(187.497)</b>	<b>(50.273)</b>
(4.027)	(61.529)	At amortised cost: Trade payables	(4.179)	(48.299)
(71.434)	(2.836)	PFI/PPP and finance lease liabilities	(74.507)	(2.791)
(0.004)	0.000	Financial guarantees	(0.002)	0.000
<b>(75.465)</b>	<b>(64.365)</b>	<b>Total Financial Liabilities included in Creditors</b>	<b>(78.688)</b>	<b>(51.090)</b>

Note: the figures in this table include accrued interest where this is applicable

## Fair value of group financial instruments

The fair value through other comprehensive income financial assets carried on the group balance sheet comprise the Council's insurance fund investments and the investments of the Paisley and Renfrew Common Good Funds. The fair value of these investments equates to the market value of the investments as provided by the Council's investment manager, Aberdeen Standard Capital.

In terms of the fair value measurement hierarchy the financial instruments measured at fair value are considered to be Level 1 being quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date, Level 2 being inputs other than quoted prices that can be accessed at the measurement date, or Level 3 being unobservable inputs eg cashflow forecasts or estimated creditworthiness. See table below:

As at 31 March 2019		Financial Assets	Fair value level	As at 31 March 2020	
Carrying Amount £m	Fair value £m			Carrying Amount £m	Fair value £m
31.846	31.846	Callable deposits in money market funds	1	22.205	22.205
22.021	22.021	Investments in pooled funds (insurance fund)	1	21.057	21.057
53.867	53.867	Total Financial assets measured at fair value		43.262	43.262
95.279	95.346	Fixed term deposits with UK local authorities	2	93.341	93.443
8.013	8.013	Fixed term deposits with UK building societies	2	0.000	0.000
15.529	15.521	Callable deposits with UK banks and building societies (including current account balances with the Council's banker)	2	(9.234)	(9.238)
0.048	0.048	Imprest accounts held at council establishments	2	0.170	0.170
1.644	1.696	Loans made for service purposes	3	1.542	1.598
120.513	120.624	Total Financial assets measured at amortised cost		85.819	85.973
174.380	174.491	Total financial assets for which fair value is disclosed		129.081	129.235
		Financial assets measured at amortised cost:			
1.091	n/a	Trade receivables: long-term		0.740	n/a
40.590	n/a	Receivables and prepayments: short-term		41.767	n/a
41.681		Total financial assets for which fair value is not disclosed		42.507	

The short-term nature of cash and cash equivalents means that their fair value equates to their balance sheet carrying amount. Additional qualitative information on the fair value of financial instruments can be found at Note 23.

As at 31 March 2019		Financial Liabilities	Fair value level	As at 31 March 2020	
Carrying Amount £m	Fair value £m			Carrying Amount £m	Fair value £m
				Financial liabilities measured at amortised cost:	
(174.294)	(250.972)	Public Works Loan Board borrowing	2	(170.980)	(237.264)
(54.721)	(82.270)	Non-PWLB borrowing (“market debt”)	2	(54.707)	(75.291)
		Other liabilities:			
(74.270)	(74.270)	PFI/PPP and finance lease liabilities	3	(77.298)	(77.298)
(0.004)	(0.004)	Financial guarantees	3	(0.002)	(0.002)
(303.289)	(407.516)	Total financial liabilities for which fair value is disclosed		(302.987)	(389.855)
		Financial liabilities measured at amortised cost:			
(8.289)	n/a	Borrowing from group entities		(12.083)	n/a
(4.027)	n/a	Trade payables: long-term		(4.179)	n/a
(61.529)	n/a	Trade payables: short-term		(48.299)	n/a
(73.845)		Total financial liabilities for which fair value is not disclosed		(64.561)	

## Items of income, expense, gain and loss relating to group financial instruments

The following items of income, expense, gain and loss relating to group financial instruments are included within the lines 'Financing and Investment income and expenditure' and '(Surplus) or deficit from investments in equity instruments designated as Fair Value through Other Comprehensive Income' in the group CIES.

2018/19 £m		Financial Assets			Financial liabilities at amortised cost £m	2019/20 £m
		Amortised cost £m	Elected to Fair Value through Other Comprehensive Income £m	Fair Value through Profit or Loss £m		
17.681	Interest expense	0.000	0.000	0.000	16.113	16.113
0.245	Impairment losses	2.295	0.000	0.000	0.000	2.295
17.926	Total expense in the Surplus / Deficit on the Provision of Services	2.295	0.000	0.000	16.113	18.408
(0.789)	Interest income	(1.358)	0.000	(0.128)	0.000	(1.486)
(0.731)	Dividend income	0.000	(0.752)	0.000	0.000	(0.752)
(0.501)	Other income	(0.001)	(0.057)	0.000	0.000	(0.058)
(2.021)	Total income in the Surplus/Deficit on the Provision of Services	(1.359)	(0.809)	(0.128)	0.000	(2.296)
(0.769)	Net (gain) or loss on revaluation	0.000	1.139	0.000	0.000	1.139
(0.769)	(Surplus)/Deficit on the revaluation of financial assets	0.000	1.139	0.000	0.000	1.139
15.136	Net (Gain)/Loss for the year	0.936	0.330	(0.128)	16.113	17.251

## Group Accounting Policies

### Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code") requires local authorities to consider their interests in all types of entity.

This includes other local authorities or similar bodies defined in section 106 of the Local Government (Scotland) Act 1973, for example statutory bodies such as valuation boards.

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.

### Combining entities

Renfrewshire Council's group accounts consolidate the results of the Council with the results of the Paisley, Renfrew and Johnstone Common Good Funds; the Coats' Observatory Trust administered by Renfrewshire Council; and seven other entities:

1. Renfrewshire Leisure Limited
2. Paisley Museum Reimagined Limited
3. Park Lane Developments (Renfrewshire) Limited Liability Partnership (LLP).
4. Strathclyde Partnership for Transport
5. Strathclyde Concessionary Travel Scheme Joint Committee
6. Renfrewshire Valuation Joint Board
7. Renfrewshire Health and Social Care Integration Joint Board



The Council has effective control over Renfrewshire Leisure Limited, Paisley Museum Reimagined Limited, the Paisley, Renfrew and Johnstone Common Good Funds and the Coats' Observatory Trust administered by Renfrewshire Council (as sole trustee) and, as such, these are treated as subsidiaries in the Council's group accounts, with assets, liabilities, reserves, income and expenses being consolidated line-by-line. The Council also holds 50% (£50) of the share capital of Park Lane Developments (Renfrewshire) LLP. Under the terms of the Partnership Agreement, the Council has enhanced voting rights and Park Lane Developments (Renfrewshire) LLP has no claim on the remaining assets should the partnership be wound up; therefore, the entity is treated as a subsidiary.

Strathclyde Partnership for Transport and Strathclyde Concessionary Travel Scheme Joint Committee are included within the group accounts under the definition of associate, even though the Council holds less than 20% or more of the voting (or potential voting) power (which is the criterion normally used to confer significant influence). However, the view has been taken that the nature of the funding arrangements between the constituent Councils and these entities is sufficient to confer significant influence.

Renfrewshire Valuation Joint Board is included within the group accounts as an associate because the Council does not have a controlling interest in the body in terms of the voting rights.

Renfrewshire Council's share of each associate's net assets or liabilities is calculated based on the Council's proportionate contribution to each associate's annual revenue costs. The Council has no shares in, or ownership of, any of these three organisations, which are entirely independent of the Council under law and for taxation.

The Public Bodies (Joint Working) (Scotland) Act 2014 established the framework for the integration of health and adult social care in Scotland. Scottish Ministers legally established the Renfrewshire Health and Social Care Integration Joint Board on 27 June

2015 as a formal legal partnership between Renfrewshire Council and NHS Greater Glasgow and Clyde. This entity is included as a joint venture in the Council's group accounts. Renfrewshire Council's share of the joint venture's net liabilities is calculated based on the Council's proportionate ordinary shareholding in the joint venture.

## Basis of preparation of group statements and going concern

For the associates and joint ventures detailed above, the combination has been accounted for under the accounting conventions of the acquisition basis using the equity method, with the Council's share of the net assets or liabilities of each entity incorporated and adjusted each year by the Council's share of that entity's results and the Council's share of other gains and losses (recognised in the group CIES).

For four of the combining entities the Council has a share in a net liability. The net liability position of both the Renfrewshire Valuation Joint Board and Renfrewshire Leisure Limited arises from the inclusion of liabilities related to the defined benefit pension schemes as required by IAS19 (which requires that pension liabilities reflect the long-term cost of paying post-employment benefits). For Park Lane Developments (Renfrewshire) LLP the net liability arises from long-term borrowing to fund regeneration work within and around the site of the former Arnott's store in Paisley. For Paisley Museum Reimagined Limited the net liability relates to sums due by the company to Renfrewshire Council for the provision of ongoing administrative support.

All of the organisations noted above prepare their annual accounts on a going concern basis. Arrangements with the Council and other funders for the longer-term funding of Park Lane Developments (Renfrewshire) LLP are considered sufficient to meet future funding requirements. The Council will continue to support Paisley Museum Reimagined Limited until their anticipated revenue generation materialises.

## Consideration for acquisition of associates' net assets or liabilities

The Council has acquired its share of the net assets of its associates for a nil consideration. There is no deferred or contingent purchase consideration. A fair value for its share of the net assets or liabilities of the three joint boards and committees at the point of acquisition and the post-acquisition results are unable to be accurately determined in view of the length of time since the transfer of these responsibilities at local government re-organisation in 1996 and the change in accounting for pensions under FRS17 in 2003/04. It is not possible to provide the fair value of the investment in the other combining entities of the Council as there are no published price quotations for these entities. No goodwill has been included in the group balance sheet in view of the length of time since acquisition, that no consideration was involved and that a fair value at the date of acquisition cannot now be properly assessed.

## Group boundary: non-material interests in other entities

The Council has a significant interest in three joint committees that have not been included in the group accounts. The Council's share of their net assets or liabilities is not material to the fair understanding of the financial position and transactions of the Council. In the interest of transparency, details of the business nature of each organisation are shown in notes G1 and G2.

## Inventories

Inventories (generally consumable stock) are included in the group balance sheet at weighted average cost and the lower of cost or net realisable value: weighted average cost – Council's stock; lower of cost or net realisable value – Renfrewshire Leisure Limited's stock. The difference in valuation methods does not have a material effect on the results of the group given the levels of stockholdings in these entities.

## Post-employment benefits

In common with Renfrewshire Council, all combining entities, except Park Lane Developments (Renfrewshire) LLP, participate in the Local Government Pension Scheme, which is administered locally by Glasgow City Council through the Strathclyde Pension Fund. The associates have accounting policies for pensions accounting that are consistent with those of the Council.

## Property, plant and equipment

The basis of valuation across the combining entities is in accordance with the Code. Operational property, plant and equipment assets are shown at the lower of net replacement cost or net realisable value in existing use with the following exceptions:

- i) The Concessionary Travel Scheme Joint Committee has no fixed assets.
- ii) Strathclyde Partnership for Transport holds exceptional types of fixed assets in its balance sheet. Within intangible assets, there are subsidised bus contracts that are recorded at amortised cost. There are also "third-party" assets that are rolling stock and other public assets used by other transport operators but which the partnership has the power to direct to the benefit of the travelling public within the partnership's operating area – these are held at historic cost.
- iii) Renfrewshire Leisure Limited uses the historic cost convention for its recent leasehold improvements, but this is considered a suitable proxy for market value in existing use on a replacement cost basis. Renfrewshire Leisure Limited also uses depreciated historic cost for its computers, plant, furniture and fittings rather than the Council's depreciated replacement cost basis, however this is not considered to be material given the small values involved.

## Restrictions on the transfer of funds

The Council's share of the reserves of its associates is unusable in that it cannot be used to fund the Council's services nor to reduce taxation. All associates are entirely independent of the Council under law and for taxation. The Council is unable to access their reserves, whether classified as usable or otherwise in the associate's own financial statements.

## Value Added Tax

Value Added Tax paid by Renfrewshire Leisure Limited is accounted for within income and expenditure to the extent that it is irrecoverable from HM Revenue and Customs.



Renfrewshire  
Council

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**To:** Council

**On:** 26 November 2020

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

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**Heading:** Audit Scotland Report - 2019/20 Common Good Funds and Coats Observatory Trust Annual Accounts

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## 1. **Summary**

- 1.1 Each year the Council's appointed external auditors carry out an audit of the financial statements of the Common Good Funds and Coats Observatory Trust controlled by Renfrewshire Council and provide an opinion as to whether those statements provide a fair and true view of the financial position of the charities and their income and expenditure for the year; and also whether they have been prepared in accordance with the relevant regulations.
  - 1.2 In accordance with International Auditing Standards, Audit Scotland is obliged to report to those charged with the governance of the organisations matters which have arisen in the course of the audit.
  - 1.3 The attached reports from Audit Scotland outline their findings from the audit of the 2019/20 Common Good and Trust accounts.
  - 1.4 Under the Local Authority Accounts (Scotland) Regulations 2014, the Council must meet to consider the Annual Accounts and aim to approve those accounts for signature no later than 30 September. For 2019/20, the Coronavirus (Scotland) Act 2020 provided flexibility to this deadline, extending it to 30 November.
  - 1.5 Audit Scotland officers will attend the meeting to speak to their reports.
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## 2. **Recommendations**

- 2.1 The Council is asked to consider the attached reports from Audit Scotland and to approve the letters of representation.
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### **Implications of the Report**

1. **Financial** – The Annual Accounts demonstrate that the Council continues to operate the charities it controls within the resources available, and in line with the relevant legislation.
  2. **HR & Organisational Development – none**
  3. **Community/Council Planning – none**
  4. **Legal** – An audit opinion free from qualification demonstrates compliance with the relevant legislation and statutory accounting requirements.
  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 because it is for noting only. 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**
  13. **Climate Risk – none**
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**Author:** Alastair MacArthur, Ext 7363



## **Audit, Risk and Scrutiny Board**

**23 November 2019**

### **Common Good Funds administered by Renfrewshire Council Audit of 2019/20 annual accounts**

#### **Independent auditor's report**

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report by 30 November 2020 (the proposed report is attached at [Appendix A](#)).

#### **Annual audit report**

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Board's consideration our draft Annual Audit Report for Renfrewshire Council on the 2019/20 audit which incorporates our findings from the audit of the Common Good Funds administered by the Council. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### **Unadjusted misstatements**

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to be corrected.

#### **Fraud, subsequent events and compliance with laws and regulations**

6. In presenting this report to the Audit, Risk and Scrutiny Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## **Representations from Section 95 Officer**

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
8. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the trustees of Renfrewshire Council Common Good Funds and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Renfrewshire Council Common Good Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2020 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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

#### Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

### **Report on other requirements**

#### **Opinion on matter prescribed by the Accounts Commission**

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

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

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Use of my report**

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

Mark Ferris FCCA  
Audit Scotland  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Mark Ferris is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

## APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris, Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Mark

### **Renfrewshire Council Common Good Funds administered by Renfrewshire Council Annual Accounts 2019/20**

- Paisley Common Good Fund: SC019478
  - Renfrewshire Common Good Fund: SC019479
  - Johnston Common Good Fund: SC019480
1. This representation letter is provided about your audit of the annual accounts of Renfrewshire Council Common Good Funds for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the other information within the annual report and financial statements.
  2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the trustees of the registered charities where Renfrewshire Council is the sole trustee, the following representations given to you in connection with your audit of Renfrewshire Council Common Good Funds' annual accounts for the year ended 31 March 2020.

### **General**

3. Renfrewshire Council (as administering authority of the Common Good Funds) and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by Renfrewshire Council Common Good Funds have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the United Kingdom Generally Accepted Accounting Practice, the requirements of the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and directions made thereunder by the Scottish Ministers, including all relevant presentation and disclosure requirements.
6. In accordance with the regulations, I have ensured that the financial statements give a true and fair view of the financial position of the Renfrewshire Council Common Good Funds at 31 March 2020 and the transactions for 2019/20.

## **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the charities regulations where applicable. Where these regulations do not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to Renfrewshire Council Common Good Funds circumstances and have been consistently applied.
8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

## **Going Concern Basis of Accounting**

9. I have assessed Renfrewshire Council Common Good Funds' ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Renfrewshire Council Common Good Funds' ability to continue as a going concern.

## **Assets**

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

15. All liabilities at 31 March 2020 of which I am aware have been recognised in the annual accounts.
16. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

## **Fraud**

17. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud

- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

18. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

### **Related Party Transactions**

19. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the financial reporting framework. I have made available to you the identity of all the Renfrewshire Council Common Good Funds' related parties and all the related party relationships and transactions of which I am aware.

### **Events Subsequent to the Date of the Balance Sheet**

20. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Section 95 Officer



## Audit, Risk and Scrutiny Board

**23 November 2020**

### Coats Observatory Trust Fund Audit of 2019/20 annual accounts

#### Independent auditor's report

1. Our audit work on the 2019/20 annual accounts is now substantially complete. Subject to the receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report by 30 November 2020 (the proposed report is attached at [Appendix A](#)).

#### Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit, Risk and Scrutiny Board's consideration our draft Annual Audit Report for Renfrewshire Council on the 2019/20 audit which incorporates our findings from the audit of Coats Observatory Trust Fund. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

#### Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to be corrected.

#### Fraud, subsequent events and compliance with laws and regulations

6. In presenting this report to the Audit, Risk and Scrutiny Board, we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

## Representations from Section 95 Officer

7. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.
8. A draft letter of representation is attached at [Appendix B](#). This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the trustees of Coats Observatory Trust Fund and the Accounts Commission

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Coats Observatory Trust Fund for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

#### Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the statement of accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other

information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinion on matters prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

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

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

## Use of my report

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

Mark Ferris FCCA

Audit Scotland  
4<sup>th</sup> Floor  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Mark Ferris is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

## APPENDIX B: Letter of Representation (ISA 580)

Mark Ferris, Senior Audit Manager  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear Mark

### **Coats Observatory Trust Fund administered by Renfrewshire Council Annual Accounts 2019/20**

1. This representation letter is provided about your audit of the annual accounts of Coats Observatory Trust Fund for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the other information in the Trustees' Report and financial statements.
2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of Coats Observatory Trust Fund's annual accounts for the year ended 31 March 2020.

#### **General**

3. Renfrewshire Council (as the administering authority of the of Coats Observatory Trust Fund) and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by of Coats Observatory Trust Fund have been recorded in the accounting records and are properly reflected in the financial statements.
4. I am not aware of any uncorrected misstatements.

#### **Financial Reporting Framework**

5. The annual accounts have been prepared in accordance with the requirements of the Charities and Trustees Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and directions made thereunder by the Scottish Ministers, including all relevant presentation and disclosure requirements.
6. In accordance with the regulations, I have ensured that the financial statements give a true and fair view of the financial position of the of Coats Observatory Trust Fund at 31 March 2020 and the transactions for 2019/20.

#### **Accounting Policies & Estimates**

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the charities regulations where applicable. Where these do not specifically apply, I have used judgement in developing and applying an accounting

policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to of Coats Observatory Trust Fund circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

9. The Trustees have assessed the ability of Coats Observatory Trust Fund to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on Coats Observatory Trust Fund's ability to continue as a going concern.

### **Assets**

10. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2020 does not differ materially from that which would be determined if a revaluation had been carried out at that date.
11. I carried out an assessment at 31 March 2020 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.
12. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2020.
13. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.
14. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

### **Fraud**

15. I have provided you with all information in relation to:
  - my assessment of the risk that the financial statements may be materially misstated because of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

### **Laws and Regulations**

16. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

17. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the financial reporting framework. I have made available to you the identity of all the Coats Observatory Trust Fund's related parties and all the related party relationships and transactions of which I am aware.

## **Events Subsequent to the Date of the Balance Sheet**

18. All events subsequent to 31 March 2020 for which the financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Section 95 Officer






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**To:** Council

**On:** 26 November 2020

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

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**Heading:** Audited Financial Statements 2019/20 – Common Good Funds and Coats Observatory Trust

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**1. Summary**

- 1.1 The 2019/20 unaudited financial statements were approved by Council on 25 June 2020. Each year the appointed external auditors carry out an audit of the financial statements of the charities controlled by the Council and provide an opinion as to whether those statements provide a true and fair view of the financial position of the charities and their income and expenditure for the year; and also whether they have been prepared in accordance with the relevant regulations.
  - 1.2 The audited Annual Accounts 2019/20 for the Common Good Funds and Coats Observatory Trust are now presented for approval.
  - 1.3 There were no significant changes to the financial statements over the course of the audit. Minor presentational changes were agreed.
- 

**2. Recommendations**

- 2.1 The Council is requested to approve the attached 2019/20 audited financial statements for the charities controlled by the Council.
-

## Implications of the Report

1. **Financial** – The 2019/20 Annual Accounts demonstrate the Council continues to manage the charities it controls within the resources available and in line with relevant legislation.
2. **HR & Organisational Development** – none
3. **Community/Council Planning** – none
4. **Legal** – An audit opinion free from qualification demonstrates compliance with the relevant legislation and statutory accounting requirements.
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 because it is for noting only. 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
13. **Climate Risk** – none

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**Author:** Alastair MacArthur, Ext 7363

# RENFREWSHIRE COUNCIL COMMON GOOD FUNDS

PAISLEY                      SCo19478

RENFREW                    SCo19479

JOHNSTONE                SCo19480

## TRUSTEES' ANNUAL REPORT AND FINANCIAL STATEMENTS

2019-20



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# Trustees' Annual Report

## Introduction

Renfrewshire Council acts as sole trustee for the Common Good Funds listed below which have charitable status and are registered with the Office of the Scottish Charity Regulator (OSCR):

SC019478	Paisley Common Good Fund
SC019479	Renfrew Common Good Fund
SC019480	Johnstone Common Good Fund

The principal address of the Common Good Funds is:

Renfrewshire Council  
Finance and Resources  
Renfrewshire House  
Cotton Street  
Paisley  
PA1 1JB

Renfrewshire Council administers the Common Good Funds and separately accounts for them. Renfrewshire Council was established by the Local Government (Scotland) Act 1994 and came into being on 1 April 1996. The Council provides a wide range of public services such as education, social services, environmental services and housing and economic regeneration.

They do not form part of the Council's single entity balance sheet, although under s222 of the Local Government (Scotland) Act 1973, the property of the Common Good "vest[s] in" the relevant local authority. However they are included within the group accounts of the Council. A copy of the group accounts can be obtained from the address above.

Auditors:                      Audit Scotland  
                                      4<sup>th</sup> Floor, South Suite  
                                      The Athenaeum Building  
                                      8 Nelson Mandela Place  
                                      Glasgow  
                                      G2 1BT

Investment Managers:      Aberdeen Standard Capital Limited  
                                      1 George Street  
                                      Edinburgh  
                                      EH2 2LL

Investment Advisors:      Hymans Robertson LLP  
                                      20 Waterloo Street  
                                      Glasgow  
                                      G2 6DB

## Trustees

The Common Good is not a Trust, and is not governed by trust law. Therefore in terms of the “Trustees” of the Common Good, the guidance provided by OSCR is that those who have “general control and management” of the charity are the charity trustees. Decisions regarding the general control and management of the Common Good Funds are made by the Finance, Resources and Customer Services Policy Board (FRCSPB) of the Council, which has delegated authority from the Council in this regard; but ultimately control rests with the full Council of elected members. We have therefore interpreted the above guidance as meaning all elected members are charity trustees.

The following individuals were the Trustees of the Common Good Funds in their capacity as elected members of Renfrewshire Council during the 2019/20 financial year:

William Brown	Lorraine Cameron
Lisa-Marie Hughes	Eileen McCartin
John Shaw	Kevin Montgomery
Jane Strang	Jacqueline Cameron
Edward Grady	John Hood
Catherine McEwan	Alistair MacKay
Jim Paterson	Andrew Steel
Jennifer Adam-McGregor	Derek Bibby
Neill Graham	William Binks
Jim Sharkey	Andrew Doig
Karen Kennedy	Emma Rodden
John McIntyre	Alison Dowling
Kenneth MacLaren	Scott Kerr
Margaret MacLaren	James Sheridan
Carolann Davidson	Natalie Don
John McNaughtan	Colin McCulloch
William Mylet	James MacLaren
Edward Devine	Tom Begg
Marie McGurk	Michelle Campbell
Paul Mack	Jim Harte
Stephen Burns	Iain Nicolson
Audrey Doig	

Day to day management of the Common Good Funds is delegated to the Director of Finance and Resources of Renfrewshire Council. All the trustees for the accounts are normally elected or re-elected at local government elections. By-elections are held to elect new members in the event of existing members vacating their position. New members automatically become trustees.

## ***Structure, Governance and Management***

The Common Good is a fund of money and assets which the Council has a statutory obligation (under Section 15(4) of the Local Government etc (Scotland) Act 1994) to administer “having regard to the interests of the inhabitants of the area to which the Common Good formerly related” (i.e. the former burghs of Paisley, Renfrew and Johnstone). Although the Common Good is administered separately from mainstream local authority funding, it is owned outright by the Council (s222 of the Local Government (Scotland) Act 1973) and does not have an identity separate from the Council, nor a constitutional form distinct from the Council.

The charity test, set out in Section 7 of the Charities and Trustee Investment (Scotland) Act 2005 provides that “a body meets the charity test if –

- (a) its purposes consist of only one or more charitable purposes, and
- (b) it provides .....public benefit in Scotland or elsewhere.”

The Common Good Funds are not “bodies” separate from the Council, and the Council’s purposes consist of much more than the charitable purposes listed in the Act.

### **History**

The Common Good comprises land granted to a Burgh by the Crown, further grants of land and buildings, mainly in the late 19<sup>th</sup> and early 20<sup>th</sup> century by local industrialists and other landowners for the common good of the inhabitants of the Burgh and the rental income and sale proceeds from such land. The bulk of the Paisley Common Good was granted to the Burgh of Paisley by the King Charles II Charter dated 27 and 28 July 1666, and has been administered by the Burgh and its successors since that date. The bulk of the Renfrew Common Good was granted to the Royal Burgh of Renfrew by the Queen Anne Charter dated 7 August 1703 and again has been administered by the Burgh and its successors since that date.

### **Governance and Management**

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Director of Finance and Resources has been designated as that officer in Renfrewshire Council. He manages the affairs of the Council to secure the economic, efficient and effective use of resources and safeguard its assets and those of any charitable trust it controls. Given the Common Good is owned by the Council, these specific provisions are supplemented by the general provisions relating to the administration of local authority monies, i.e. the duty to obtain best value.

The Director of Finance and Resources has responsibility for ensuring an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Director of Finance and Resources is responsible for keeping proper accounting records which are up to date and which ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006.



Decisions regarding the operation, assets, processes or policies of the Common Good Funds are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB). Income to the Common Good Funds is solely from investment returns (both financial investments and property rental income) and bank interest – no donations to the Funds are solicited. The only other source of income which arises periodically is from the sale of fixed assets.

The investment performance of the Common Good Funds is monitored regularly by Council officers, and is reported bi-annually to the Investment Review Board, which is comprised of 5 cross party elected members. The minutes of the Investment Review Board are submitted to the Finance, Resources and Customer Services Policy Board, whose meetings are held in public. In turn, the minutes of this Board are submitted to the full Council for ratification. Therefore each elected member is informed of both the performance of the funds, and any decision regarding the operation of the Funds which would be made by the Finance, Resources and Customer Services Policy Board.

Regular training is offered to the members of the Investment Review Board through information sessions at each meeting.

### **Risk**

The Trustees have overall responsibility for the Common Good Funds' systems of internal control that are designed by senior management to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The main risk for the Common Good relates to the investment income available for disbursement through grants. As mentioned above, investment performance is monitored quarterly by officers of the Council and they receive specialist advice in this regard from Hymans Robertson LLP, appointed investment advisors. It is acknowledged that this particular risk has been heightened because of the ongoing coronavirus pandemic, however the potential impact on income levels is closely monitored in discussion with the investment manager and adviser and tactical changes in investment holdings will be actioned as required. A Statement of Investment Principles has been agreed by the Investment Review Board and this is regularly reviewed to ensure the benchmark against which performance is monitored remains relevant and appropriate.

### ***Objectives and Activities***

As mentioned above, there is no governing document for the Common Good. The assets were gifted for the common good of the inhabitants of the burgh. The most concise statement of the administration of the Common Good is contained in a judgement by Lord Kyllachy:

*"The Common Good is corporate property and falls as such to be administered by the Council – and applied by them for the benefit of the community in such a manner as, and using such reasonable judgement as, they think proper".*

Therefore in terms of the aims of the Common Good, they can not be narrowed down from that detailed above, i.e. that the funds are used for the benefit the inhabitants of the burgh to which they are related.

## **Grantmaking**

There are two elements to the grants awarded from Common Good Funds: recurring grants (i.e. those awarded for a period of some years) or large grant awards that are agreed by the FRCPB. In addition the FRCPB also agrees the budget available to Local Partnerships (successor bodies to local area committees) for subsequent award to community groups. Local Partnerships were set up in an effort to involve communities more directly in the decision-making of the Council, and they are comprised of the elected members of the relevant wards, along with representatives from local community groups e.g. Community Councils, Elderly Forums, Youth Groups etc. Each Local Partnership now is allocated an annual budget, and they consider at relevant meetings (held in public) the grant requests they have received. Only eligible grants may be considered – further information on the eligibility criteria may be obtained from the Council.

## ***Achievements and Performance***

In 2019-20 grants totalling £169,736 were awarded by Local Partnerships to a wide variety of community organisations. Other grant expenditure totalling £154,540 was made throughout the year.

## **Investment performance**

The Common Good Funds have adopted a total return policy for investment income and have agreed income targets which the Investment Manager exceeded in year. During the year the average yield on investments was -1.8% (10.2% in 2018-19). The average return on cash balances held within Renfrewshire Council's Loans Fund was 0.86% (0.71% in 2018-19).

Overall, the Common Good Funds reported a combined net decrease in funds of £1.094 million which will reduce the previous fund balance brought forward. The total funds held by Paisley Common Good decreased by £0.247 million and the funds held by Renfrew Common Good decreased by £0.847 million. The movement in funds this year reflects the reduced investments valuation due to stock market movements in light of the impact of the Coronavirus in the final months of the financial year.

## ***Income***

Renfrew Common Good other income last year included a one-off amount of £0.592 million. This was received from a former tenant for dilapidation compensation in accordance with the lease conditions.

## ***Financial Review***

The Common Good Funds have no explicit reserves policy, but as a general principle the "capital" of the funds is held effectively as a permanent endowment, with only the annual income available for disbursement in the year.

No individual Common Good Fund is in deficit.

The main funding sources for the Common Good Funds this year are dividend and investment income (68%) and property rental income (32%).

The Investment Review Board has agreed a Statement of Investment Principles (SoIP) which regulates the relationship between the Council and the Investment Manager. The SoIP details benchmark asset class holdings and also the restrictions which the Council has agreed i.e. no direct holdings in tobacco stocks or companies involved in the manufacture or supply of military equipment; and a minimum holding of 15% of the total funds to be held in fixed interest stocks.

## ***Future Plans***

On 5 September 2018 the Finance, Resources & Customer Service Policy Board of Renfrewshire Council agreed that a formal application be submitted to the Office of the Scottish Charity Regulator (OSCR) requesting the de-registration of all three Common Good Funds.

The Council has contacted OSCR to start the process of de-registration, however due to the unique nature of Common Good Funds this is not a simple matter of a normal de-registration and OSCR are currently reviewing the situation and will provide an update of the timescales and procedures in due course.

Regardless of registration status, Common Good Funds will continue to make grants available to local organisations through the Local Partnership grant making process, and will also continue to fund recurring commitments such as Christmas Lights displays.

The Council will also continue to review the funding provided by the Common Good Funds to ensure it remains appropriate and in line with the objectives of the Funds and to the benefit of the inhabitants of the relevant Burghs.

The Community Empowerment (Scotland) Act 2015 places new obligations on Councils with regards recording and the use of Common Good assets. As required by the Act the Council has published a register of all Common Good properties and will assess any responses received. The Act also requires local authorities to publish any proposals and consult with community bodies before disposing of or changing the use of Common Good assets.

The Trustees wish to thank the Renfrewshire Council officers involved in producing the Annual Report and Financial Statements

Signed:

Alan Russell  
Director of Finance and Resources  
Renfrewshire Council

Date:

On behalf of the Trustees:

Councillor John Shaw  
Convener – Finance, Resources and Customer Services Policy Board  
Renfrewshire Council

Date:

## Statement of Trustees' Responsibilities in respect of the Annual Report and Accounts

### a) Statement of responsibilities in respect of the annual report and accounts

The Trustees are responsible for preparing the annual report and financial statements for each financial year, in accordance with the accounting policies set out in note 1 to the accounts and the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014. The financial statements give a true and fair view of the incoming resources and application of the resources of the charity during the year and of the charity's state of affairs at the end of the financial year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charity and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### b) Statement of disclosure of information to auditors

The trustees who held office at the date of approval of this annual report and accounts confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the auditors are aware of this information.

Signed:

Cllr John Shaw  
Convener – Finance, Resources and Customer Services Policy Board  
Renfrewshire Council

Date:

# Independent Auditors Report to the Trustees of Renfrewshire Council Common Good Funds and the Accounts Commission

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Renfrewshire Council Common Good Funds for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a **summary** of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the charities as at 31 March 2020 and of their incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charities in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Conclusions relating to going concern basis of accounting

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

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

### Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Responsibilities, the trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charities' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Other information in the statement of accounts

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

### Report on other requirements

#### Opinion on matter prescribed by the Accounts Commission

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Charities SORP (FRS 102).

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

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### Use of my report

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

Mark Ferris FCCA  
Audit Scotland  
4<sup>th</sup> Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Mark Ferris is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

## Statement of Financial Activities for the Year Ended 31<sup>st</sup> March 2020

This Account summarises the resources that have been generated and consumed in providing services and managing the Common Good Funds during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed. This Account also includes the Statement of Total Recognised Gains and Losses which brings together all of the gains and losses of the Funds for the year and shows the aggregate movement in their net worth. All Common Good Funds have unrestricted funds only; there were no restricted or endowment funds during 2019-20 or in 2018-19.

	Notes	Year to 31 <sup>st</sup> March 2020				Year to 31 <sup>st</sup> March 2019			
		Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
		SC019478	SC019480	SC019479		SC019478	SC019480	SC019479	
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Income and Endowments from:</b>									
Grants, Interest & Dividend Income	2(a)	0.149	0.000	0.514	<b>0.663</b>	0.144	0.000	0.499	<b>0.643</b>
Rental and Other Income	2(b)	0.049	0.000	0.266	<b>0.315</b>	0.049	0.000	0.859	<b>0.908</b>
<b>Total Income and Endowments</b>		<b>0.198</b>	<b>0.000</b>	<b>0.780</b>	<b>0.978</b>	<b>0.193</b>	<b>0.000</b>	<b>1.358</b>	<b>1.551</b>
<b>Expenditure on:</b>									
<b>Raising Funds</b>									
Fundraising Trading		0.000	0.000	0.031	<b>0.031</b>	0.000	0.000	0.042	<b>0.042</b>
Investment Management Costs		0.017	0.000	0.058	<b>0.075</b>	0.017	0.000	0.055	<b>0.072</b>
<b>Total Raising Funds</b>		<b>0.017</b>	<b>0.000</b>	<b>0.089</b>	<b>0.106</b>	<b>0.017</b>	<b>0.000</b>	<b>0.097</b>	<b>0.114</b>
<b>Charitable Activities</b>									
Charitable Activities	3(a)	0.121	0.000	0.203	<b>0.324</b>	0.111	0.000	0.198	<b>0.309</b>
Governance Costs	3(b)	0.015	0.000	0.049	<b>0.064</b>	0.015	0.000	0.049	<b>0.064</b>
Depreciation and Impairment		0.071	0.000	0.432	<b>0.503</b>	0.071	0.000	0.488	<b>0.559</b>
<b>Total Charitable Activities</b>		<b>0.207</b>	<b>0.000</b>	<b>0.684</b>	<b>0.891</b>	<b>0.197</b>	<b>0.000</b>	<b>0.735</b>	<b>0.932</b>
<b>Total Expenditure</b>		<b>0.224</b>	<b>0.000</b>	<b>0.773</b>	<b>0.997</b>	<b>0.214</b>	<b>0.000</b>	<b>0.832</b>	<b>1.046</b>
<b>Net Income / (Expenditure) and net movement in funds before gains and losses on investments</b>		<b>(0.026)</b>	<b>0.000</b>	<b>0.007</b>	<b>(0.019)</b>	<b>(0.021)</b>	<b>0.000</b>	<b>0.526</b>	<b>0.505</b>
Gains/(losses) on Investment Assets	5	(0.221)	0.000	(0.749)	<b>(0.970)</b>	0.258	0.000	0.871	<b>1.129</b>
<b>Net Income/(Expenditure)</b>		<b>(0.247)</b>	<b>0.000</b>	<b>(0.742)</b>	<b>(0.989)</b>	<b>0.237</b>	<b>0.000</b>	<b>1.397</b>	<b>1.634</b>



Statement of Financial Activities for the Year Ended 31<sup>st</sup> March 2020 (Continued)

	Notes	Year to 31 <sup>st</sup> March 2020				Year to 31 <sup>st</sup> March 2019			
		Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
		SC019478	SC019480	SC019479		SC019478	SC019480	SC019479	
		£m	£m	£m	£m	£m	£m	£m	£m
<b>Net Income/(Expenditure)</b>		(0.247)	0.000	(0.742)	<b>(0.989)</b>	0.237	0.000	1.397	<b>1.634</b>
Transfer between Funds		0.000	0.000	0.000		0.000	0.000	0.000	0.000
<b>Total after funds transfer</b>		(0.247)	0.000	(0.742)	<b>(0.989)</b>	0.237	0.000	1.397	<b>1.634</b>
<b>Other Gains or Losses</b>									
Gains/(Losses) on Revaluation of Fixed Assets	4	0.000	0.000	(0.105)	<b>(0.105)</b>	0.000	0.000	(0.335)	<b>(0.335)</b>
<b>Total Other Recognised Gains or Losses</b>		0.000	0.000	(0.105)	<b>(0.105)</b>	0.000	0.000	(0.335)	<b>(0.335)</b>
<b>Net Movement in Funds</b>		(0.247)	0.000	(0.847)	(1.094)	0.237	0.000	1.062	1.299
<b>Total Funds Brought Forward</b>		5.494	0.052	31.170	<b>36.716</b>	5.257	0.052	30.108	<b>35.417</b>
<b>Total Funds Carried Forward</b>		5.247	0.052	30.323	<b>35.622</b>	5.494	0.052	31.170	<b>36.716</b>

The notes on pages 14 to 23 form part of these financial statements.

## Balance Sheet as at 31<sup>st</sup> March 2020

The Balance Sheet summarises in its top half all the assets that the Common Good Funds own and the liabilities that they owe to others. The bottom half sets out how the net assets of the Funds are allocated between usable resources and statutory reserves needed to comply with accounting rules.

		At 31 <sup>st</sup> March 2020				At 31 <sup>st</sup> March 2019			
	Notes	Paisley SC019478 £m	Johnstone SC019480 £m	Renfrew SC019479 £m	Total £m	Paisley SC019478 £m	Johnstone SC019480 £m	Renfrew SC019479 £m	Total £m
<b>Fixed Assets</b>									
Tangible Fixed Assets	4	0.702	0.000	12.510	13.212	0.773	0.000	13.047	13.820
Heritage Assets	4	0.063	0.047	0.109	0.219	0.063	0.047	0.109	0.219
Investments	5	3.943	0.000	13.325	17.268	4.163	0.000	14.073	18.236
		<b>4.708</b>	<b>0.047</b>	<b>25.944</b>	<b>30.699</b>	<b>4.999</b>	<b>0.047</b>	<b>27.229</b>	<b>32.275</b>
<b>Current Assets</b>									
Debtors	13	0.000	0.000	0.008	0.008	0.000	0.000	0.026	0.026
Short term deposits	15	0.573	0.005	4.447	5.025	0.535	0.005	3.960	4.500
		<b>0.573</b>	<b>0.005</b>	<b>4.455</b>	<b>5.033</b>	<b>0.535</b>	<b>0.005</b>	<b>3.986</b>	<b>4.526</b>
<b>Less: Current Liabilities</b>									
Creditors: Amounts Falling Due Within One Year	14	(0.034)	0.000	(0.076)	(0.110)	(0.040)	0.000	(0.045)	(0.085)
		<b>(0.034)</b>	<b>0.000</b>	<b>(0.076)</b>	<b>(0.110)</b>	<b>(0.040)</b>	<b>0.000</b>	<b>(0.045)</b>	<b>(0.085)</b>
<b>Net Current Assets</b>		<b>0.539</b>	<b>0.005</b>	<b>4.379</b>	<b>4.923</b>	<b>0.495</b>	<b>0.005</b>	<b>3.941</b>	<b>4.441</b>
<b>Net Assets</b>		<b>5.247</b>	<b>0.052</b>	<b>30.323</b>	<b>35.622</b>	<b>5.494</b>	<b>0.052</b>	<b>31.170</b>	<b>36.716</b>
<b>Funds of the Charities</b>									
<b>Unrestricted Funds</b>									
Income Funds		3.572	0.036	20.027	23.635	3.580	0.036	19.981	23.597
Revaluation reserve:		0.698	0.000	2.316	3.014	0.937	0.000	3.104	4.041
Investments Revaluation reserve:		0.977	0.016	7.980	8.973	0.977	0.016	8.085	9.078
Other Fixed Assets		<b>5.247</b>	<b>0.052</b>	<b>30.323</b>	<b>35.622</b>	<b>5.494</b>	<b>0.052</b>	<b>31.170</b>	<b>36.716</b>

Signed

Date:

Alan Russell

Director of Finance and Resources

Renfrewshire Council

Signed

Date:

Councillor John Shaw

Convener – Finance, Resources and Customer Services

Policy Board. Renfrewshire Council.

## Cash Flow Statement for Year Ended 31<sup>st</sup> March 2020

This statement summarises the inflows and outflows of cash arising from the transactions with third parties on both day to day revenue transactions and expenditure on capital activities. For the purposes of this statement, cash is defined as cash in hand and deposits repayable on demand.

	Notes	Year ended 31st March 2020				Year ended 31st March 2019			
		Paisley £m	Johnstone £m	Renfrew £m	Total £m	Paisley £m	Johnstone £m	Renfrew £m	Total £m
<b>Net Cash Inflow from Operating Activities</b>	<b>7</b>	<b>0.039</b>	<b>0.000</b>	<b>0.486</b>	<b>0.525</b>	<b>0.044</b>	<b>0.000</b>	<b>0.975</b>	<b>1.019</b>
<b>Capital Expenditure and Financial Investment</b>									
Cash paid for fixed asset investment		(0.651)	0.000	(2.169)	<b>(2.820)</b>	(0.789)	0.000	(2.824)	<b>(3.613)</b>
Receipts from sales of fixed asset: investments		0.709	0.000	2.355	<b>3.064</b>	0.769	0.000	2.778	<b>3.547</b>
Receipts from sales of fixed asset: property		0.000	0.000	0.000	<b>0.000</b>	0.000	0.000	0.000	<b>0.000</b>
Payments to acquire tangible fixed assets		0.000	0.000	0.000	<b>0.000</b>	0.000	0.000	0.000	<b>0.000</b>
<b>Net cash flow from capital expenditure and financial investments</b>		<b>0.058</b>	<b>0.000</b>	<b>0.186</b>	<b>0.244</b>	<b>(0.020)</b>	<b>0.000</b>	<b>(0.046)</b>	<b>(0.066)</b>
<b>(Increase)/decrease in cash held for investments</b>		<b>(0.058)</b>	<b>0.000</b>	<b>(0.188)</b>	<b>(0.246)</b>	<b>0.029</b>	<b>0.000</b>	<b>0.077</b>	<b>0.106</b>
<b>Increase/(decrease) in cash held in the year</b>		<b>0.039</b>	<b>0.000</b>	<b>0.486</b>	<b>0.525</b>	<b>0.053</b>	<b>0.000</b>	<b>1.006</b>	<b>1.059</b>
<b>Reconciliation of net cash flow to movement in net funds</b>									
(Decrease)/increase in cash in year		0.039	0.000	0.486	0.525	0.053	0.000	1.006	1.059
net funds at 1 April		0.534	0.005	3.961	4.500	0.481	0.005	2.955	3.441
<b>Net funds at 31 March</b>		<b>0.573</b>	<b>0.005</b>	<b>4.447</b>	<b>5.025</b>	<b>0.534</b>	<b>0.005</b>	<b>3.961</b>	<b>4.500</b>

## Notes to the Financial Statements

### 1: Accounting Policies

#### *Introduction*

The Financial Statements for the year ended 31 March 2020 have been compiled in accordance with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006(as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) published on 16 July 2014. They are designed to give a true and fair view of the financial performance and position of the Common Good Funds and comparative figures for the previous financial year are provided. There are no significant departures from accounting standards other than that outlined specifically below.

The accounting concepts of “materiality” and “going concern” have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accounts have been prepared on a going concern basis. The going concern concept assumes that the Charities will not significantly curtail the scale of their operations.

The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of assets. The following accounting policies used in its preparation have been reviewed following the introduction of Financial Reporting Standard 18 “Accounting Policies” (FRS18).

#### *Income and Endowments*

##### **Recognition of income and endowments**

These are included in the Statement of Financial Activities (SOFA) when:

- The charity becomes entitled to the resources;
- The trustees are virtually certain they will receive the resources; and
- The monetary value can be measured with sufficient reliability.

##### **Grants and Donations**

Grants and donations are only included in the SOFA when the charity has unconditional entitlement to the resources.

##### **Gifts in Kind**

Gifts in kind are not reflected in the SORP, but are referred to when necessary in the Trustees Annual Report.

##### **Investment Income**

This is included in the accounts when receivable.

## **Investment Gains and Losses**

This includes any gain or loss on the sale of investments and any gain or loss resulting from revaluing investments to market value at the end of the year.

## ***Expenditure***

### **Liability Recognition**

Liabilities are recognised as soon as there is a legal or constructive obligation committing the charity to pay out resources.

### **Charitable Activities**

Decisions regarding the way the Common Good Funds' income is spent are taken by the Finance, Resources and Customer Services Policy Board, whose membership comprises of 15 of the trustees of the Common Good Funds. Voluntary groups are encouraged to apply for funding from the available funds allocated to Renfrewshire Council Local Partnerships.

### **Governance Costs**

Governance costs include the:

- costs of the preparation and examination of statutory accounts;
- cost of any legal advice to trustees on governance or constitutional matters;
- cost of administering grants; and
- property maintenance.

### **Grants Payable without Performance Conditions**

These are recognised in the accounts when the grant has been paid.

## ***Assets***

### **Valuation**

Land and buildings have been valued on the basis of market value in relation to existing use, assessed either on a comparative basis or on a depreciated replacement cost basis. The valuations have been compiled by the Council Valuer who is Member of the Royal Institute of Chartered Surveyors (MRICS) qualified. Assets under construction are shown at historic cost. Land and buildings are revalued every five years, with increases in valuation matched by credits to the Revaluation Reserve.

A de-minimis of £9,000 is applied for capitalisation of expenditure.

The civic regalia and equipment (heritage assets) have been valued on a present value insurance basis.

Investments are valued at market value.

## Depreciation

Depreciation is charged on a straight -line basis on all assets other than land, heritage assets and assets under construction. The Council Valuer determines the useful life of property assets. Depreciation is based on expected life of costs capitalised.

## Impairment

The value of each category of asset is reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a revaluation exercise, the loss is charged to the SOFA.

## Departures from the Charities SORP

Operational land and buildings have been valued on a depreciated replacement costs basis, not a historic basis as per the Charities SORP. The main reason for this is the obligation under the Local Government Code of Practice on local authority accounting to apply a depreciated replacement cost valuation basis, and it is under the Local Government Code that the Common Good Accounts have been audited in previous years.

## Events after the Balance Sheet date

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

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statement are adjusted to reflect such events; and
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statements. Note 16 provides further information.

## 2: Income and Endowments

### a) Investments

	2019-20				2018-19			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Grant income	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Dividend income	0.145	0.000	0.491	0.636	0.140	0.000	0.476	0.616
Interest income	0.004	0.000	0.023	0.027	0.004	0.000	0.023	0.027
<b>Total grant &amp; investment income</b>	<b>0.149</b>	<b>0.000</b>	<b>0.514</b>	<b>0.663</b>	<b>0.144</b>	<b>0.000</b>	<b>0.499</b>	<b>0.643</b>

## ***b) Rental and Other Income***

	2019-20				2018-19			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Rental income from properties	0.049	0.000	0.266	0.315	0.049	0.000	0.266	0.315
Other Income	0.000	0.000	0.000	0.000	0.000	0.000	0.593	0.593
<b>Total rental and other income</b>	<b>0.049</b>	<b>0.000</b>	<b>0.266</b>	<b>0.315</b>	<b>0.049</b>	<b>0.000</b>	<b>0.859</b>	<b>0.908</b>

## **3: Expenditure**

### ***a) Charitable Activities***

	2019-20				2018-19			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Voluntary organisation grants	0.024	0.000	0.146	0.170	0.024	0.000	0.146	0.170
Civic related grants	0.097	0.000	0.057	0.154	0.087	0.000	0.052	0.139
<b>Total charitable activities grants</b>	<b>0.121</b>	<b>0.000</b>	<b>0.203</b>	<b>0.324</b>	<b>0.111</b>	<b>0.000</b>	<b>0.198</b>	<b>0.309</b>

### ***b) Governance Costs***

	2019-20				2018-19			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Accountancy and Administrative Services	0.011	0.000	0.034	0.045	0.011	0.000	0.034	0.045
Property Services	0.004	0.000	0.015	0.019	0.004	0.000	0.015	0.019
<b>Total Governance Costs</b>	<b>0.015</b>	<b>0.000</b>	<b>0.049</b>	<b>0.064</b>	<b>0.015</b>	<b>0.000</b>	<b>0.049</b>	<b>0.064</b>



## 4: Tangible Fixed Assets

### *a) Paisley Common Good Fund*

	Operational Land and Buildings	Non- Operational Assets – Surplus Assets	Total Tangible Fixed Assets	Heritage Assets
	£m	£m	£m	£m
<b>Gross Book Value</b>				
At 1 <sup>st</sup> April 2019	0.711	0.275	0.986	0.063
Additions	0.000	0.000	0.000	0.000
Disposals	0.000	0.000	0.000	0.000
Revaluations	0.000	0.000	0.000	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>0.711</b>	<b>0.275</b>	<b>0.986</b>	<b>0.063</b>
<b>Depreciation</b>				
At 1 <sup>st</sup> April 2019	0.213	0.000	0.213	0.000
Depreciation for Year	0.071	0.000	0.071	0.000
Depreciation on Revaluation	0.000	0.000	0.000	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>0.284</b>	<b>0.000</b>	<b>0.284</b>	<b>0.000</b>
<b>Net Book Value at 31<sup>st</sup> March 2020</b>	<b>0.427</b>	<b>0.275</b>	<b>0.702</b>	<b>0.063</b>
<b>Net Book Value at 31<sup>st</sup> March 2019</b>	<b>0.498</b>	<b>0.275</b>	<b>0.773</b>	<b>0.063</b>

### ***b) Renfrew Common Good Fund***

	Operational Land and Buildings	Plant and Equipment	Non- operational assets – Investment Properties	Non- Operational Assets – Surplus Assets	Total Tangible Fixed Assets	Heritage Assets
	£m	£m	£m	£m	£m	£m
<b>Gross Book Value</b>						
At 1 <sup>st</sup> April 2019	9.568	3.284	0.644	0.015	13.511	0.109
Additions	0.000	0.000	0.000	0.000	0.000	0.000
Disposals	0.000	0.000	0.000	0.000	0.000	0.000
Transfers	0.000	0.000	0.000	0.000	0.000	0.000
Revaluations	0.000	0.000	(0.105)	0.000	(0.105)	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>9.568</b>	<b>3.284</b>	<b>0.539</b>	<b>0.015</b>	<b>13.406</b>	<b>0.109</b>
<b>Depreciation</b>						
At 1 <sup>st</sup> April 2019	0.320	0.129	0.015	0.000	0.464	0.000
Depreciation for year	0.192	0.234	0.006	0.000	0.432	0.000
Impairment	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation writeback on revaluations	0.000	0.000	0.000	0.000	0.000	0.000
Impairment losses written out on revaluation	0.000	0.000	0.000	0.000	0.000	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>0.512</b>	<b>0.363</b>	<b>0.021</b>	<b>0.000</b>	<b>0.896</b>	<b>0.000</b>
<b>Net Book Value at 31<sup>st</sup> March 2020</b>	<b>9.056</b>	<b>2.921</b>	<b>0.518</b>	<b>0.015</b>	<b>12.510</b>	<b>0.109</b>
<b>Net Book Value at 31<sup>st</sup> March 2019</b>	<b>9.249</b>	<b>3.155</b>	<b>0.628</b>	<b>0.015</b>	<b>13.047</b>	<b>0.109</b>

### ***c) Johnstone Common Good Fund***

	Heritage Assets
	£m
<b>Gross Book Value</b>	
At 1 <sup>st</sup> April 2019	0.047
Additions	0.000
Disposals	0.000
Revaluations	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>0.047</b>
<b>Depreciation</b>	
At 1 <sup>st</sup> April 2019	0.000
Depreciation for year	0.000
<b>At 31<sup>st</sup> March 2020</b>	<b>0.000</b>
<b>Net Book Value at 31<sup>st</sup> March 2020</b>	<b>0.047</b>
<b>Net Book Value at 31<sup>st</sup> March 2019</b>	<b>0.047</b>

### ***d) Heritage Assets***

Heritage Assets include items of civic regalia and equipment formerly used by the Provost of the Council on civic occasions. The assets are now held in Renfrewshire museums.

## **5: Fixed Asset Investments**

Investments are held specifically to provide the funds from which donations and civic activities can be funded from.

### ***a) Analysis of market values***

	2019-20			2018-19		
	Paisley	Renfrew	Total	Paisley	Renfrew	Total
	£m	£m	£m	£m	£m	£m
Market Value						
At 1 <sup>st</sup> April 2019	4.163	14.073	18.236	3.915	13.233	17.148
Additions	0.651	2.169	2.820	0.789	2.824	3.613
Disposals	(0.709)	(2.355)	(3.064)	(0.769)	(2.778)	(3.547)
Net gain/(loss) on revaluation	(0.220)	(0.749)	(0.969)	0.257	0.871	1.128
Increase/(decrease) in cash in bank awaiting investment	0.058	0.188	0.246	(0.029)	(0.077)	(0.106)
<b>At 31<sup>st</sup> March 2020</b>	<b>3.943</b>	<b>13.326</b>	<b>17.269</b>	<b>4.163</b>	<b>14.073</b>	<b>18.236</b>

### ***b) Asset Allocation Analysis***

	2019-20			2018-19		
	Paisley	Renfrew	Total	Paisley	Renfrew	Total
	£m	£m	£m	£m	£m	£m
Bonds:						
UK Government Bonds	0.244	0.824	1.068	0.228	0.825	1.053
Other UK Bonds	0.282	0.900	1.182	0.277	0.876	1.153
Overseas Bonds	0.119	0.455	0.574	0.132	0.445	0.577
Equities:						
UK Equities	1.456	4.905	6.361	1.835	6.197	8.032
Overseas Equities	1.646	5.575	7.221	1.463	4.947	6.410
Non-Region Specific	0.036	0.121	0.157	0.045	0.153	0.198
Property Investments	0.043	0.145	0.188	0.044	0.148	0.192
Cash	0.113	0.388	0.501	0.135	0.470	0.605
Accrued Interest	0.004	0.012	0.016	0.004	0.012	0.016
<b>Total Investment Assets</b>	<b>3.943</b>	<b>13.325</b>	<b>17.268</b>	<b>4.163</b>	<b>14.073</b>	<b>18.236</b>

All investments during 2019-20 and in 2018-19 were held in unrestricted funds.

## 6: Reserves Cover

	2019-20				2018-19			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Free Reserves</b>								
Unrestricted Funds	3.572	0.036	20.027	23.635	3.580	0.036	19.981	23.597
Allocation Adjustment	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Unrestricted Funds from SOFA	(0.026)	0.000	0.007	(0.019)	(0.021)	0.000	0.526	0.505
<b>Total Unrestricted Funds</b>	<b>3.546</b>	<b>0.036</b>	<b>20.034</b>	<b>23.616</b>	<b>3.559</b>	<b>0.036</b>	<b>20.507</b>	<b>24.102</b>
Less Funds tied up in fixed assets	(3.943)	0.000	(13.325)	(17.268)	(4.163)	0.000	(14.073)	(18.236)
<b>Total Free Reserves</b>	<b>(0.397)</b>	<b>0.036</b>	<b>6.709</b>	<b>6.348</b>	<b>(0.604)</b>	<b>0.036</b>	<b>6.434</b>	<b>5.866</b>
Annual Running Costs exclude impairment	0.224	0.000	0.773	0.997	0.214	0.000	0.832	1.046
<b>Number of months held in reserve</b>	<b>0</b>	<b>0</b>	<b>104</b>	<b>n/a</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>n/a</b>

Funds tied up in fixed assets are represented by investments held by the Common Good Funds.

## 7: Cash Flow Statement

### *a Reconciliation of net income/expenditure to net cash inflow/ (outflow) from operating activities*

	Year to 31 <sup>st</sup> March 2020			Year to 31 <sup>st</sup> March 2019		
	Paisley	Johnstone	Renfrew	Paisley	Johnstone	Renfrew
	£m	£m	£m	£m	£m	£m
Net Incoming / (Expenditure) and net movement in funds before gains and losses on investments	(0.026)	0.000	0.007	(0.021)	0.000	0.526
Transfer of revaluation reserve realised on investment movement	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation and impairment	0.071	0.000	0.430	0.071	0.000	0.488
Decrease/(increase) in debtors	0.000	0.000	0.018	0.000	0.000	(0.018)
Increase/(decrease) in creditors	(0.006)	0.000	0.031	(0.006)	0.000	(0.021)
<b>Net cash (inflow)/outflow from operating activities</b>	<b>0.039</b>	<b>0.000</b>	<b>0.486</b>	<b>0.044</b>	<b>0.000</b>	<b>0.975</b>

## ***b Analysis of changes in net funds***

	At 1 April 2019	Cash- flow	At 31 March 2020	At 1 April 2018	Cash- flow	At 31 March 2019
	£m	£m	£m	£m	£m	£m
<b>Short term deposits</b>						
Paisley	0.534	0.039	0.573	0.481	0.053	0.534
Johnstone	0.005	0.000	0.005	0.005	0.000	0.005
Renfrew	3.961	0.486	4.447	2.955	1.006	3.961
	<b>4.500</b>	<b>0.525</b>	<b>5.025</b>	<b>3.441</b>	<b>1.059</b>	<b>4.500</b>

## **8: Trustees' remuneration and expenses**

Neither the Trustees of the Common Good Funds nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the Trustees during 2019-20.

## **9: Related Parties**

During the year, the Common Good Fund balances were invested by Renfrewshire Council, who manage the administration of the Funds on behalf of the Trustees. The costs of this are disclosed in note 3(b), Governance Costs. The Council also acts as the banker for the Common Good Funds and all transactions, incoming and outgoing, are made via the Council's accounts. This creates a debtor as detailed in the respective Funds' balance sheets. There are no outstanding balances due to or from Renfrewshire Council other than those that appear in the balance sheet.

## **10: Commitments**

As at 31 March 2020, no Common Good Fund had outstanding commitments on capital contracts. There were no outstanding commitments for operating lease rentals.

## **11: Staff Costs and Emoluments**

No members of staff were employed directly via the Common Good Funds during 2019-20 (2018-19 nil). All costs were incurred by Renfrewshire Council and recharged as detailed in note 3(b) Governance Costs. There are therefore no employees with emoluments above £60,000 (2018-19 nil).

## **12: Audit Costs**

Costs of £4,550 were incurred in relation to the audit of the 2019-20 financial statements.

## 13: Debtors

	Year to 31 <sup>st</sup> March 2020				Year to 31 <sup>st</sup> March 2019			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Accrued Income	0.000	0.000	0.008	0.008	0.000	0.000	0.007	0.007
Grant	0.000	0.000	0.000	0.000	0.000	0.000	0.019	0.019
<b>Total Debtors</b>	<b>0.000</b>	<b>0.000</b>	<b>0.008</b>	<b>0.008</b>	<b>0.000</b>	<b>0.000</b>	<b>0.026</b>	<b>0.026</b>

## 14: Creditors

	Year to 31 <sup>st</sup> March 2020				Year to 31 <sup>st</sup> March 2019			
	Paisley	Johnstone	Renfrew	Total	Paisley	Johnstone	Renfrew	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Trade Creditors	0.034	0.000	0.072	0.106	0.040	0.000	0.041	0.081
Rents in Advance	0.000	0.000	0.004	0.004	0.000	0.000	0.004	0.004
<b>Total Creditors</b>	<b>0.034</b>	<b>0.000</b>	<b>0.076</b>	<b>0.110</b>	<b>0.040</b>	<b>0.000</b>	<b>0.045</b>	<b>0.085</b>

## 15: Short Term Deposits

Short term deposits are accounts held with Renfrewshire Council who process receipts, payments and accounting entries on behalf of the Common Good Funds.

## 16: Events after the Balance Sheet date

Events taking place after the authorised issue date per the balance sheet are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. There are no non adjusting events.





# RENFREWSHIRE COUNCIL

COATS OBSERVATORY TRUST FUND

SC019454

TRUSTEES' REPORT  
AND FINANCIAL STATEMENTS  
1 APRIL 2019 to 31 MARCH 2020



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## Trustees' Report

### 1. INTRODUCTION

Renfrewshire Council acts as sole trustee for the Coats Observatory Trust Fund which has charitable status and is registered with the Office of the Scottish Charity Regulator (OSCR):

The financial statements of the Trust are included in this report:

The principal address of the Trust Fund is:

Renfrewshire Council  
Finance and Resources  
Renfrewshire House  
Cotton Street  
Paisley  
PA1 1JB

Renfrewshire Council administers the Trust Fund and separately accounts for it. Renfrewshire Council was established by the Local Government (Scotland) Act 1994 and came into being on 1 April 1996. The Council provides a wide range of public services such as education, social services, environmental services, council housing and economic regeneration.

The Trust Accounts do not form part of Renfrewshire Council's single entity balance sheet, although under s222 of the Local Government (Scotland) Act 1973, the property of the Trust "vest[s] in" the relevant local authority. However, the Trust Fund accounts are included within the group accounts of the Council. A copy of the group accounts can be obtained from the address above.

Independent Auditors:      Audit Scotland  
   4<sup>th</sup> Floor, South Suite  
   The Athenaeum Building  
   8 Nelson Mandela Place  
   Glasgow G2 1BT

## **TRUSTEES**

In terms of the “Trustees” of the Trust, the guidance provided by OSCR is that those who have “general control and management” of the charity are the charity trustees. Decisions regarding the general control and management of the Trust Fund are made by the Finance, Resources and Customer Services Policy Board (FRCSPB), which has delegated authority from the Council in this regard; but ultimately control rests with the full Council of elected members. We have therefore interpreted the above guidance as meaning all elected members are charity trustees

The following individuals were the Trustees of the Trust Fund in their capacity as elected members of Renfrewshire Council during the 2019/20 financial year:

William Brown	Eileen McCartin
Lisa-Marie Hughes	Kevin Montgomery
John Shaw	Jacqueline Cameron
Jane Strang	John Hood
Edward Grady	Alistair MacKay
Catherine McEwan	Andrew Steel
Jim Paterson	Derek Bibby
Jennifer Adam-McGregor	William Binks
Neill Graham	Andrew Doig
Jim Sharkey	Emma Rodden
Karen Kennedy	Audrey Doig
John McIntyre	Alison Dowling
Kenneth MacLaren	Scott Kerr
Margaret MacLaren	James Sheridan
Carolann Davidson	Natalie Don
John McNaughtan	Colin McCulloch
William Mylet	James MacLaren
Edward Devine	Tom Begg
Marie McGurk	Michelle Campbell
Paul Mack	Jim Harte
Stephen Burns	Iain Nicolson
Lorraine Cameron	

Day to day management of the Trust Fund is delegated to the Director of Finance and Resources of Renfrewshire Council. All of the trustees for the accounts are normally elected or re-elected at local government elections. By-elections are held to elect new members in the event of existing members vacating their position. New members automatically become trustees.

## **2. STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Coats Observatory Fund was inherited by the local authority in early 1963 from the Paisley Philosophical Society. The Council as Trustees own the buildings comprising the Coats Observatory. These buildings are leased to Renfrewshire Leisure Ltd for zero consideration.

## **HISTORY**

The original purpose of the Trust when it was set up was: “for the upkeep of Coats Observatory equipment”. This purpose was relevant while there were cash funds available; however these funds have been exhausted, and only the property assets remain.

## **GOVERNANCE AND MANAGEMENT**

The Council is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. The Director of Finance and Resources has been designated as that officer in Renfrewshire Council. They manage the affairs of the Council to secure the economic, efficient and effective use of resources and safeguard its assets and those of any charitable trust it controls. Given the Trust Fund is controlled by the Council, these specific provisions are supplemented by general provisions relating to the administration of local authority monies, i.e. the duty to obtain best value.

The Director of Finance and Resources has responsibility for ensuring an effective system of internal financial control is maintained and operated. This system of internal financial control can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are recorded and properly authorised, and that material errors or irregularities are either prevented or would be detected within a timely period. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures and a system of delegation and accountability. The Director of Finance and Resources is responsible for keeping proper accounting records which are up to date and which ensure that the financial statements comply with the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard for Smaller Entities published on 16<sup>th</sup> July 2014.

Decisions regarding the operation, assets, processes or policies of the Trust Fund are delegated by the Council to the Finance, Resources and Customer Services Policy Board (FRCSPB).

## **RISK**

The Trustees have overall responsibility for the Trust Funds’ system of internal control. This system is designed by senior management to ensure effective and efficient operation, including financial reporting and compliance with laws and regulations. The Trustees acknowledge that such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

## **3. FINANCIAL REVIEW**

The Trust Fund has no explicit reserves policy. The Trust Fund is not in deficit and no donations to the Fund are solicited.

## **4. FUTURE PLANS**

Given there are no cash funds remaining, nor are any anticipated, the Council will explore with OSCR the future of the charity, always considering the ongoing sustainability of the Observatory and ensuring appropriate governance arrangements remain in place.

The Trustees wish to thank the Renfrewshire Council officers involved in producing the Report and Financial Statements.

Signed:

Date:

Alan Russell  
Director of Finance and Resources  
Renfrewshire Council

On behalf of the Trustees:

Date:

Councillor John Shaw  
Convener – Finance, Resources and Customer Services Policy Board  
Renfrewshire Council

## Independent Auditor's Report to the Trustees of Coats Observatory Trust Fund and the Accounts Commission for Scotland

### Report on the audit of the financial statements

#### Opinion on financial statements

I certify that I have audited the financial statements in the statement of accounts of Coats Observatory Trust Fund for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Receipts and Payments, the Statement of Balances and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and a receipts and payments basis.

In my opinion the accompanying financial statements:

- properly present the receipts and payments of the charity for the year ended 31 March 2020 and its statement of balances at that date; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005, and regulations 9(1), (2) and (3) of The Charities Accounts (Scotland) Regulations 2006.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the charity in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the trustees for the financial statements

The trustees are responsible for the preparation of financial statements which properly present the receipts and payments of the charity, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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



### **Other information in the statement of accounts**

The trustees are responsible for the other information in the statement of accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission or required by applicable law to the extent explicitly stated later in this report.

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

### **Report on other requirements**

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

In my opinion, based on the work undertaken in the course of the audit the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with The Charities Accounts (Scotland) Regulations 2006.

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

I am required by The Charity Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

### **Use of my report**

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

Mark Ferris FCCA  
Audit Scotland  
4<sup>th</sup> Floor  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Mark Ferris is eligible to act as an auditor in terms of Part VII of the Local Government (Scotland) Act 1973.

## Trust Accounts Financial Statements Overview

### **1. INTRODUCTION**

The following pages detail the Statement of Receipts and Payments, the Statement of Balances and relevant Notes to the Accounts, as required by the Charities Accounts (Scotland) Regulations 2006. A Cash Flow Statement is not required as the charity is classified as a small charity as defined in the Charities Statement of Recommended Practice (SORP) and therefore is exempt from producing a Cash Flow Statement.

### **2. STATEMENT OF RECEIPTS AND PAYMENTS**

The Statement of Receipts and Payments provides an analysis of the incoming and outgoing cash and bank transactions for the period. If applicable, the Statement would also show any cash movements in relation to fixed assets. In the case of the Trust Fund, there have been no purchases or sales of fixed assets.

### **3. STATEMENT OF BALANCES**

The Statement of Balances reconciles the cash and bank balances at the beginning and end of the financial year with the surpluses or deposits shown in the Statement of Receipts and Payments. The Statement of Balances also summarises final closing balances at the end of the period.

### **4. NOTES TO THE ACCOUNTS**

Notes to the accounts expand on or explain the information contained in the Statement of Receipts and Payments and the Statement of Balances.

## Statement of Receipts and Payments for the year ended 31<sup>st</sup> March 2020

year ended 31st March 2020			
2019			2020
Total	Unrestricted	Restricted	Total
£	£	£	£
0	0	0	0
Total receipts			
0	0	0	0
Total payments			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus / (deficit) for period</b>			

## Statement of Balances as at 31<sup>st</sup> March 2020

As at 31st March 2020			
2019			2020
Total	Unrestricted	Restricted	Total
£	£	£	£
<b>Cash funds</b>			
<i>Balances held with Renfrewshire Council:</i>			
0	0	0	0
Opening balance			
0	0	0	0
Surplus / (deficit) for period			
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other assets (at current valuation)</b>			
<i>Land and buildings:</i>			
610,850.73	0	590,104.00	590,104.00
Coats Observatory, Paisley			
<b>610,850.73</b>	<b>0</b>	<b>590,104.00</b>	<b>590,104.00</b>

Signed  
Date:  
Alan Russell  
Director of Finance and Resources  
  
Renfrewshire Council

Signed  
Date:  
Councillor John Shaw  
Convenor – Finance, Resources and Customer  
Services Policy Board  
Renfrewshire Council

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES

#### **INTRODUCTION**

The Financial Statements for the year ended 31 March 2020 have been prepared in accordance with the Accounting and Reporting by Charities : Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are designed to give a true and fair view of the financial performance and position of the Trust Fund and comparative figures for the previous financial year are provided. There are no significant departures from accounting standards other than that outlined specifically below.

The accounting concepts of “materiality” and “going concern” have been considered in the application of accounting policies. In this regard the materiality concept means that information is included where the information is of such significance as to justify its inclusion. The accounts have been prepared on a going concern basis. The going concern concept assumes that the Trustees will not significantly curtail the scale of the charities’ operations, however it is anticipated that the Observatory Fund will not continue indefinitely. This has no impact on the financial statements as the assets of the Fund comprise solely of the Observatory buildings which are independently valued.

The accounting concept of “accruals” is not relevant to these statements, which have been prepared on a receipts and payments basis.

The accounts have been prepared under the historic cost convention, other than changes resulting from the revaluation of certain categories of assets. The following accounting policies used in its preparation have been reviewed following the introduction of Financial Reporting Standard 18 “Accounting Policies” (FRS18).

#### **Fund Accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanations of the nature and purpose of each fund is included in the notes to the financial statements.

The 2018-19 comparative figures have been brought forward unchanged.

## **INCOMING/OUTGOING RESOURCES**

### ***Recognition of incoming resources***

All income is recognised and included in the Statement of Receipts and Payments (SoRP) when the money is actually received.

### ***Recognition of expenditure***

Expenditure is recognised and included in the Statement of Receipts and Payments (SoRP) when it is paid for.

### ***Charitable Activities***

Decisions regarding the way the Trust Funds' income is spent are taken by the Finance, Resources and Customer Services Policy Board, whose membership comprises 15 of the trustees of the Trust Fund.

### ***Costs of Generating Funds***

The cost of administering the Trust Fund including the audit fee is borne entirely by Renfrewshire Council.

### ***Governance Costs***

Governance costs, where applicable, include the:

- costs of the preparation and examination of statutory accounts;
- cost of any legal advice to trustees on governance or constitutional matters; and
- cost of administering grants.

## **ASSETS**

The Fund includes the land and buildings of Coats Observatory, Paisley. The valuation is based on fair value, determined as the market value that would be paid for the asset in its current use. Valuations are provided by the Council Valuer who is MRICS qualified, and are updated as a minimum every five years. The Observatory building is being depreciated on a straight-line basis over 30 years.

## **2. ANALYSIS OF RECEIPTS/PAYMENTS**

No income was received in the year.

## **3. TRUSTEES' REMUNERATION AND EXPENSES**

Neither the trustees of the Trust Fund nor any associated person connected with them have received any remuneration for their services. Further, no directly incurred expenses were reimbursed to the trustees during the period (2018-19 nil).

## **4. RELATED PARTIES**

During the period the Council also acted as the banker for the Trust Fund and all transactions, incoming and outgoing, are made via the Council's bank accounts. There are no outstanding balances due to or from Renfrewshire Council nor were there any cash transactions during 2019-20.




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**To: Council**

**On: 26 November 2020**

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

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**Heading: Governance Arrangements**

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## **1. Summary**

- 1.1 The purpose of this report is to (a) consider changes to the Conservative group's membership of the Audit, Risk & Scrutiny Board, Communities, Housing & Planning Policy Board, the Leadership Board, and the Licensing Board; and CoSLA; (b) to advise Council of the membership of the Cultural Regeneration Panel; (c) to consider the membership of the Climate Change Sub-committee; and (d) an addition of a delegation to the Director of Housing, Communities & Planning Services to exercise powers under corona virus related legislation.
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## **2 Recommendations**

- 2.1 That the Council consider the appointment of (a) Councillor Graham to the Leadership Board, the Communities, Housing & Planning Policy Board and the Licensing Board; (b) Councillor Strang to the Audit, Risk & Scrutiny Board; and (c) Councillor Graham as one of the Council's representatives to CoSLA in place of Councillor J MacLaren;
- 2.2 That Councillor Devine and McCartin's membership of the Recovery and Renewal Fund Member Review Panel be noted;

- 2.3 That the membership of the Climate Change Sub-committee be extended by one administration member, being Councillor Hughes and one other opposition member being Councillor McCartin; and
- 2.4 That a delegation be granted to the Director of Communities, Housing and Planning and the Head of Communities and Public Protection to authorise the exercise of enforcement powers by Trading Standards officers, Environmental Health officers and their managers on the Council's behalf where those enforcement powers are included in legislation in response to the Covid-19 epidemic.
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### **3 Background**

#### **Changes to Conservative Group Membership of Boards and other Bodies**

- 3.1 Councillor Graham, Leader of the Conservative Group, has indicated that the following changes should be considered.
- Councillor Strang to replace Councillor Graham on the Audit, Risk & Scrutiny Board
  - Councillor Graham to replace Councillor Strang on the Communities, Housing & Planning Policy Board
  - Councillor Graham to replace Councillor James MacLaren on the Leadership Board
  - Councillor Graham to replace Councillor Kerr on the Licensing Board.
- 3.2 In terms of the Licensing (Scotland) Act 2006 all members of the Licensing Board require to undertake a course of training accredited by the Scottish Ministers within three months of their appointment to the Licensing Board, whether or not they have been Licensing Board members before. Assessment of training is taken under exam conditions.
- 3.3 Councillor Graham has indicated that he should replace Councillor James MacLaren as one of the Council's representatives to CoSLA.

#### **Cultural Recovery and Renewal Fund Member Review Panel**

- 3.4 The Leadership Board at its meeting on 16 September 2020 agreed to establish a Cultural Recovery and Renewal Fund Member Review Panel made up of one representative of Renfrewshire Leisure, one representative from Renfrewshire Council and a community representative appointed by Engage Renfrewshire. Expressions of interest in the elected member positions were received from Councillors Devine, Andy Doig and McCartin.

As a member of the Board of Renfrewshire Leisure, Councillor McCartin took the position of the Renfrewshire Leisure representative. A cutting of cards procedure was then used to determine the Renfrewshire Council representative. Councillor Devine having received the highest value card was appointed to the Panel.

### **Climate Change Sub-Committee**

- 3.5 The Council at its meeting held on 27 February 2020 agreed that a climate change sub-committee of the Leadership Board be established. Thereafter the Leadership Board at its meeting held on 16 September 2020 agreed that the sub-committee comprise seven members to be nominated by the Administration and opposition groups. These members are: Councillors Brown, Graham, Hood, McEwan, McGurk, Nicolson (chair) and Shaw. By seeking nominations from political groups, this has inadvertently disadvantaged Councillor McCartin who had been a member of the climate change working group and who had intimated her interest in being a member of the Sub-committee.
- 3.6 Councillor Nicolson has proposed that the membership of the sub-committee be extended by one other Administration member and that Councillor McCartin and Cllr Hughes be appointed to the Sub-committee. In terms of Standing Order 28 – rescinding of decisions – the Provost is satisfied that this is a material change in circumstances that was not apparent at the time the original decision on the membership of the sub-committee was made.

### **Delegation to use Enforcement Powers under Coronavirus related Legislation**

- 3.7 The Director of Communities, Housing and Planning and the relevant Heads of Service have delegated authority in terms of the Council's Scheme of Delegated Functions to authorise officers to exercise specified statutory powers on behalf of the Council. However, the delegation predated the legislation which has been brought into force to address the Covid-19 pandemic.
- 3.8 To recognise this, the Emergencies Board on the 18 September 2020 approved the following delegation:
- “Agrees with immediate effect to designate the Council's Environmental Health Officers and Trading Standards Officer and their managers as relevant persons under the Health Protection (Coronavirus) (Restrictions and Requirements)(Scotland) regulations 2020 and Health Protection (Coronavirus)(Restrictions)(Directions by Local Authorities)(Scotland) Regulations 2020, as made under the Coronavirus Act 2020 and authorises them to undertake the powers available to relevant persons on the Council's behalf”.



However, due to the frequency and short notice given when Covid-19 regulations are issued, some of which will include enforcement powers for local authority officers, there is a risk that the authorisations available to the Council's Environmental Health Officers, Trading Standards Officers and their managers which currently exist become out of date. This may lead to those categories of officers not having the necessary authorisations to undertake their enforcement activities.

- 3.9 To address this risk, it is proposed that the Director of Communities, Housing and Planning and the Head of Communities and Public Protection are given a delegation to authorise those categories of officers to exercise enforcement powers under any future Coronavirus related legislation.

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## Implications of the Report

1. **Financial - None**
2. **HR & Organisational Development – None**
3. **Community/Council Planning – None**
4. **Legal –** The report concerns the appointment of members to position on Boards and other bodies. The report also concerns the making of a new delegation to authorise officers to exercise enforcement powers contained in legislation to deal with the Covid-19 pandemic.
5. **Property/Assets – None**
6. **Information Technology – None**
7. **Equality & Human Rights**
  - (a) 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**
13. **Climate Risk** – The report refers to the membership of the recently established Climate Change Sub-committee which will consider climate risk items.

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#### **List of Background Papers**

- (a) Background Paper 1 – None

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