
To: Council

On: 27 June 2019

Report by: Director of Finance & Resources

Heading: Annual Accounts 2018/19

1. Summary

- 1.1 The Council's Accounts and Group Accounts for 2018/19 will be submitted for audit by the statutory deadline of 30 June 2019 and a copy of the Council's single entity accounts is attached for members' approval, along with the accounts of the charities the Council controls.
- 1.2 The external auditor (Audit Scotland) will complete the audit process by early September 2019. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for consideration.
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2. Recommendations

- 2.1 Consider, subject to audit, the Renfrewshire Council Annual Accounts for 2018/19; note that the Group accounts are still subject to completion as outlined in Section 7 below and delegate authority to the Director of Finance & Resources to submit the Group accounts to external audit within the relevant timescales
- 2.2 Approve the annual governance statement for 2018/19
- 2.3 Note that Audit Scotland is planning to complete the audit of the accounts by early September 2019, that their report will be made available to members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for detailed consideration.

- 2.4 Approve the sums earmarked within the General Fund reserves and HRA reserves as outlined in 3.3 below.
- 2.5 Approve the transfer of resources outlined in Table 1 below.
- 2.6 Approve, subject to audit, the annual accounts attached for the Renfrew, Paisley and Johnstone Common Good Funds and the Coats Observatory Trust Fund which under accounting regulations require to be separately prepared and audited from the Council's accounts.

3. **Background**

- 3.1 The Council's Accounts and Group Accounts for 2018/19 will be submitted for audit by the statutory deadline of 30 June and a copy of the Council's single entity accounts is attached for members' consideration. The accounts have been produced to comply with International Financial Reporting Standards (IFRS) and relevant government accounting regulations. In order to comply with charity accounting requirements, the Council's Accounts do not incorporate statements relating to the Common Good Funds and the charitable trust fund which the Council controls. In both these instances, separate accounts have been prepared in accordance with registered charities accounting requirements and are also included for members' approval.
- 3.2 The external auditor (Audit Scotland) is planning to complete the audit process by early September. Their report on the Accounts will be made available to all members and will be submitted to the meeting of the Audit, Risk & Scrutiny Board on 23 September 2019 for consideration.
- 3.3 The Management Commentary prefacing the Accounts provides an overview of the Council's financial performance and the key features are:-
 - (a) Revenue spending has been contained within overall budget limits.
 - (b) After adjusting for planned carry forwards, the carry forward of committed resources, accelerated debt repayment as per the Council's debt smoothing strategy and year end allocations, the General Fund has delivered an underspend of £0.043 million. This outturn position is broadly in line with the forecast breakeven position previously reported to members. Unallocated balances increase to £7.137 million moving into 2019/20, again in line with the minimum level recommended. As previously reported to members, the maintenance of an appropriate level of unallocated reserves remains a key aspect in the management of financial risk which Audit Scotland have indicated they will keep under ongoing review across all local authorities.
 - (c) Of the overall General Fund reserves, the following are proposed to be earmarked:
 - £0.566 million to fund the Council's anticipated final contribution to the M74 extension project

- £1.232 million of 2017/18 funding made available to the Renfrewshire HSCP which has been agreed to be used flexibly to offset anticipated adult social care service pressures
- £1.049 million relating to the Council's approved policy on delegated management of resources within schools.
- £10.343 million relating to the Service Modernisation and Reform Fund (SMARF) which is set aside to assist in the delivery of the Council's transformation and change programme.
- £2.687 million of funding carried forward to support the delivery of committed projects as part of the Private Sector Housing Programme as approved by the Housing and Community Safety Policy Board.
- £1.056 million approved by the Council on 27 February 2014 to development initiatives within Paisley Town Centre.
- £1.051 million of resources committed to the ongoing Early Years Strategy and Change Fund arrangements
- £12.670 million for the Schools PPP reserve in line with the Council's approved affordability framework.
- £0.031 million related to community safety initiatives
- £1.273 million of resources committed to support the City Deal project as approved by Council on 13 February 2014.
- £4.002 million of resource committed to support measures to Tackle Poverty as approved by Council on 2 March 2018.
- £2.632 million of resource committed to support the Heritage Asset Strategy as agreed by Council on 12 February 2015
- £1.426 million of specific grant related to the Pupil Equity Fund
- £0.344 million of resource committed to fund town centre public Wi-Fi as agreed by Council on 3 March 2016
- £2.411 million of resource agreed by the Leadership Board on 21 February 2018 in relation to legacy activities from the City of Culture 2021 bid.
- £0.250 million related to a contribution to Kilbarchan AAC for the development of an indoor training facility in Linwood as agreed by Council on 23 February 2017
- £4.500 million related to the Employability programme as agreed by Council on 2 March 2018

- £4.484 million related to non-recurring investments agreed by Council on 2 March 2018 across environment and place, villages improvements, digital infrastructure, community empowerment, welfare reform support and support for sign language and braille training.
- (d) Unallocated HRA reserves as at 31 March 2019 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks.
- (e) As detailed in Table 1 below, specific reserves now total £80.638 million, a reduction in year of £9.137 million, which relates primarily to resources committed to the Council's capital investment programme and resources retained as part of delivering the council's debt smoothing strategy.

Table 1

	Opening balance	Contributions to Reserves	Reserves Used / Transferred	Closing balance
	£m	£m	£m	£m
Insurance Fund	2.543	-	-	2.543
Reservoir Repair Fund	0.315	-	-	0.315
Education Capital Items	1.132	0.246	(0.331)	1.047
Investment Capital Fund	85.785	2.023	(11.075)	76.733
Total	89.775	2.269	(11.406)	80.638

- (f) Capital spending of £51.486 million on non-housing projects was managed within the overall expenditure control limits approved by Council.
- (g) The Council's in year council tax collection performance for 2018/19 was 96% and is consistent with that reported in the previous year, equalling the highest ever performance achieved by the Council.

4. FINANCIAL PERFORMANCE 2018/19

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

DEPARTMENTAL PERFORMANCE - GENERAL FUND REVENUE BUDGET

4.2 Chief Executive's Service - breakeven

Overall spend within the service is in line with budget, with no significant variances to report.

4.3 **Finance and Resources - £12,000 under-spend**

The year-end under-spend is the net result of cost pressures within ICT maintenance offset by additional licensing income.

4.4 **Environment & Infrastructure - £9,000 under-spend**

The underspend is the net result of strict management control of costs across a range of pressure areas including public building repairs and waste disposal, and one-off costs related to the introduction of revised waste collection arrangements; offset by the recovery of repairs costs resulting from traffic accidents through insurance claims, the utilisation of waste reserve funding and support from corporate budgets.

4.5 **Communities Housing and Planning - £8,000 underspend**

There were no significant variations from budget to report.

4.6 **Children's Services - £2,000 under-spend**

Overspends in Additional Support for Learning, children's social care and central administration have been offset by lower than anticipated expenditure on within primary and secondary schools.

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

4.7 **Adult Services - breakeven**

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

4.8 **Miscellaneous Services – £863,000 overspend**

The net year-end position on miscellaneous services was an overspend linked to the agreed debt smoothing strategy and additional debt repayments, which is offset by the over-recovery of council tax outlined below.

4.9 **Council Tax Income - £875,000 over-recovery**

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

4.10 **Housing Revenue Account (HRA) – Break-even**

The final year-end breakeven position is in line with the projection previously reported and reflects the net effect of underspends in support services and

transfer payments which have been used to fund a repairs overspend in premises related costs and increased debt repayment as part of the overall housing debt smoothing strategy.

Support services and supplies budgets underspent against central support costs and other recharges, including postages, advertising and printing.

The transfer payments budget highlights underspends delivered through continuing improvements in performance regarding rent collection and void rent losses. Savings on Council tax for void properties have also been realised as a result of progress being made with the regeneration of the Tannahill area in Ferguslie Park.

Additional investment in property maintenance costs, including void properties resulted in an overspend in repairs within premises related costs.

An overspend in depreciation and impairment relates to the increased capital contributions made as part of the HRA Business Plan Strategy to utilise in year underspends to assist mitigate the impact of future capital borrowing costs arising from the delivery of investment in housing stock.

Unallocated HRA reserves as at 31st March 2019 have been maintained at £6.807 million. This represents a prudent level of unallocated reserves for the HRA which remain available to mitigate the impact of any unforeseen risks.

5. BUDGET PERFORMANCE - CAPITAL

5.1 Non-Housing Capital Budget Performance

Non-Housing capital expenditure totalled £51.486 million during 2018/19. Capital receipts of £0.992 million were generated from asset sales. These receipts along with £7.617 million available within the Useable Capital Receipts Reserve provided total receipts of £8.609 million. From this, £0.591 million was utilised to support current year investment leaving a balance of £8.017 million which has been earmarked to support the ongoing investment programme in future years. The capital investment performance was delivered within the approved prudential expenditure and borrowing limits set by the Council.

5.2 Housing Capital Budget Performance

Housing capital expenditure totalled £15.475 million during 2018/19. Capital receipts of £1.944 million were realised from asset sales during 2018/19. These receipts were fully utilised in 2018/19 to support the current year investment programme.

6 PRUDENTIAL FRAMEWORK

6.1 The Prudential Framework approved by the Council is supported by a number of indicators and the Council's performance against these indicators is reported

in the Management Commentary in the Accounts. A further report outlining the treasury management activity undertaken during 2018/19 is also on the agenda for this meeting.

7. GROUP ACCOUNTS

7.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 – (“the Code”), requires local authorities to consider accounting for their interests in all types of entity e.g. Joint Boards & Committees, Leisure Trusts, companies etc. This includes other local authorities or similar bodies as defined in section 106 of the Local Government (Scotland) Act 1973 e.g. statutory bodies such as Valuation Joint Boards plus all Joint Committees. Under the Code authorities are required to prepare a full set of Group Accounts in addition to their own Council’s Accounts where they have a material interest in such entities.

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

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

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

Paisley, Renfrew & Johnstone Common Good Funds and the Observatory Trust administered by the Council,

Renfrewshire Leisure Limited, and

Park Lane Developments (Renfrewshire) LLP.

Paisley Museum Reimagined Limited was incorporated in January 2019 as the company which will deliver the fundraising strategy for the redevelopment of Paisley Museum as agreed by the Leadership Board in September 2018. The company has not commenced trading and is therefore not included within the group accounts for 2018/19.

7.4 Both the Council’s own Accounts and the Group Accounts will be submitted by 30 June to external audit in accordance with the statutory deadline, however final completion of the Group Accounts has not been possible within the timescales for release of Council papers; therefore as in previous years it is proposed that authority is delegated to the Director of Finance & Resources to submit the duly completed group accounts to external audit.

8. Common Good Funds and Coats Observatory Trust Fund Accounts

- 8.1 Under accounting requirements introduced in 2010/11, the Council is required to present the annual accounts of both the Common Good Funds and the Observatory Trust separately from the Council's main accounts. In addition, the Council is also required to put in place audit arrangements which are separated from the audit of the Council and its own financial statements.
- 8.2 Enclosed therefore for members approval for submission for audit are the annual accounts for both the Common Good Funds and the Observatory Trust which have been prepared in line the Charities Statement of Recommended Accounting Practice (Charities SORP).

Implications of the Report

1. **Financial** – the report provides an overview of the Council's financial performance over the course of 2018/19 and as at 31 March 2019. The annual accounts will be presented for audit with the audit findings being reported to the Audit, Risk and Scrutiny Board on 23 September 2019. The report outlines continued sound budgetary control and management of council expenditure within available resources.
2. **HR & Organisational Development** - none
3. **Community/Council Planning** – the report outlines continued sound financial management which supports the council to deliver on its key community and council plan objectives.
4. **Legal** – subject to approval by Council, the annual accounts will be released to external audit within the statutory timescales.
5. **Property/Assets** - none
6. **Information Technology** - none
7. **Equality & Human Rights** - The Recommendations contained within this report have been assessed in relation to their impact on equalities and human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report. If required following implementation, the actual impact of the recommendations and the mitigating actions will be reviewed and monitored, and the results of the assessment will be published on the Council's website.

8. **Health & Safety** - none
9. **Procurement** – none
10. **Risk** - none.
11. **Privacy Impact** - none
12. **Cosla Policy Position** – none

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