

# Renfrewshire Council Audited Accounts 2017-2018





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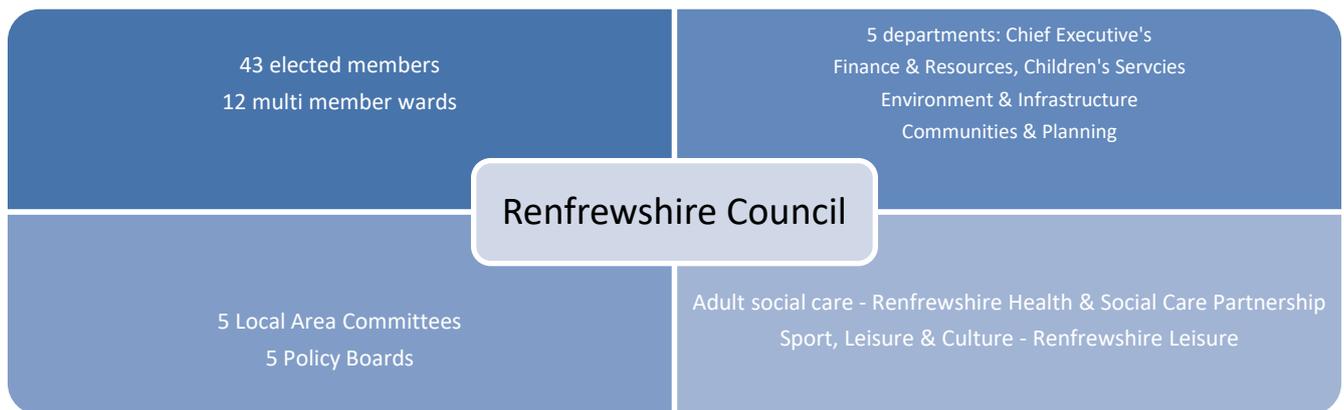
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## Introduction

This commentary outlines the objectives, strategy and financial performance of the Council over the 2017-2018 financial year, and also provides an indication of issues and risks which may impact the financial performance of the Council in the future.

## Principal Activities

Renfrewshire Council was established by the Local Government (Scotland) Act 1994 and came into being on 1 April 1996. The Council provides local authority services to the approximately 176,000 residents of Renfrewshire. Renfrewshire has a mixed geography with many villages complementing the three main towns of Johnstone, Paisley and Renfrew. The Council provides a wide range of public services such as nursery, primary and secondary education, social services, environmental services, council housing and economic regeneration. Adult social care services were integrated with health services during 2015-2016 under the Renfrewshire Health and Social Care Partnership, with the Partnership formally taking responsibility for delivering these services from 1 April 2016.



## Objectives and Council Strategy

The Council and its community partners aim to achieve the objectives agreed in the Our Renfrewshire Community Plan 2017 - 2027, 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. Both these documents are available on the Council website: [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk).

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

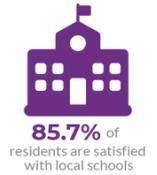
1. Reshaping our place, our economy and our future
2. Building strong, safe and resilient communities
3. Tackling inequality, ensuring opportunities for all
4. Creating a sustainable Renfrewshire for all to enjoy
5. Working together to improve outcomes

## How are we doing?

The Council Plan outlines priorities and actions against which progress is reported bi-annually to the Council’s Leadership Board, most recently in April 2018. A performance framework to underpin the performance monitoring and reporting of

Council Plan activity was agreed by the Leadership Board in December 2017. Both these documents are available on the Council Committee Management Information System: (<http://renfrewshire.cmis.uk.com/renfrewshire/Home.aspx>). Service Improvement Plans (SIP) for each of the Council departments are 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. Renfrewshire Council publishes a range of performance information to allow interested stakeholders to assess how the Council is performing. In addition, the Council supports the publication of performance information through the Local Government Benchmarking Framework ([www.scotland.mylocalcouncil.info](http://www.scotland.mylocalcouncil.info))

In August 2017 Audit Scotland published the findings of their Best Value review (<http://www.audit-scotland.gov.uk/report/best-value-assurance-report-renfrewshire-council>) which highlighted that the Council continues to improve and is making encouraging progress in the performance of services; underpinned by effective financial management and planning.



### 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 which continues to ensure the stability of council services.

The medium term outlook for the Council's finances was reported to the Leadership Board in December 2017, and a range of financial planning principles were agreed:

- (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.*

### Financial Performance

In agreeing the budget for 2017-2018 the Council approved the following key items on 16 February 2017:

General Fund - Revenue	}	<ul style="list-style-type: none"> <li>• Council tax freeze</li> <li>• Revenue budget of £375.0 m</li> <li>• Use of statutory funds of £2.350 m</li> </ul>
General Fund - Capital	}	<ul style="list-style-type: none"> <li>• 3 year capital programme of £215.1 m, of which £76.0 m in 17/18</li> <li>• Funded by capital grant of £19.8 m; borrowing of £157.5 m and other capital income of £37.8 m</li> </ul>
Housing	}	<ul style="list-style-type: none"> <li>• Council house rent freeze</li> <li>• Revenue gross expenditure budget of £50.8 m</li> <li>• Capital investment of £19.9 m</li> </ul>

The Council agreed to invest in economic regeneration such as roads infrastructure, local communities and to address cost and demand pressures in adult care services. A further £1.5 million was also invested in the Council's Tackling Poverty programme, lifting the total investment to £7.5 million.

#### Revenue Performance 2017-2018

A summary of the outturn position against the agreed budget is shown below:

	Budget £m	Actual £m	Variance £m
Employee costs	243.059	237.323	(5.736)
Payments to other bodies	37.310	42.024	4.714
Other costs	282.623	287.011	4.388
<b>Total Expenditure</b>	<b>562.992</b>	<b>566.358</b>	<b>3.366</b>
Revenue Support Grant	(201.151)	(201.151)	0.000
Council Tax Income	(72.145)	(73.238)	(1.093)
Non Domestic Rates Income*	(98.908)	(98.908)	0.000
Other Income	(186.099)	(189.543)	(3.444)
<b>Total Income</b>	<b>(558.303)</b>	<b>(562.840)</b>	<b>(4.537)</b>
<b>Drawdown from General Fund Balances</b>	<b>4.689</b>	<b>3.518</b>	<b>(1.171)</b>
<b>Net movement in ring-fenced element of the General Fund Balance</b>	<b>4.679</b>	<b>4.679</b>	<b>0.000</b>
<b>Net movement in unallocated element of the General Fund Balance</b>	<b>0.010</b>	<b>(0.029)</b>	<b>(0.039)</b>
<b>Additional Scottish Government Grant</b>	<b>0.000</b>	<b>(1.132)</b>	<b>(1.132)</b>
<b>Total Drawdown from General Fund Balances</b>	<b>4.689</b>	<b>3.518</b>	<b>(1.171)</b>
<b>Drawdown from Housing Revenue Account Balances</b>		<b>3.004</b>	
<b>Total Drawdown from General Fund &amp; Housing Revenue Account Balances</b>		<b>6.522</b>	<b>Note 1</b>

\*The Council was due £98.9 million of non-domestic rate income from the Scottish Government as its share of the national pool. The Council collected £121.1 million directly from local businesses with the excess of £22.2 million payable to the Scottish Government (2016-17 £3.9 million payable to the Scottish Government to the Council).

The Comprehensive Income and Expenditure Account summarises the total costs of providing Council services and the income available to fund those services. 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, an element of which is ringfenced for specific purposes (£41.661 million as at 31 March 2017) and an element which remains unallocated (£7.065 million at 31 March 2017).

The usable reserves (note 7) shows a net draw on total reserves of £3.518 million with a net £4.679 million drawn down from ringfenced reserves. £10.748 million was applied to various programmes in 2017-2018 (see note 7 for detail) with £6.069 million contributed to fund future programme expenditure, leaving a balance on ringfenced reserves within the General Fund Balance of £36.982 million at 31 March 2018.

A £0.039 million balance was returned to unallocated reserves, which reflects the net spend and income position achieved across a range of services due to effective budget management by Directors. The outturn position also includes an over-recovery of £1.093 million in Council Tax income, which reflects in year collection performance of 96.0%, again equal to the highest performance level ever achieved by the Council. The balance on unallocated reserves within the General Fund Balance stands at £7.094 million as at 31 March 2018.

In the finance circular of March 2018, the Scottish Government confirmed that Renfrewshire Council's share of the £34.5 million additional funding granted at Stage 1 of the Budget Bill - £1.132 million - would be paid in financial year 2017-2018 but could be transferred to reserves for use to fund expenditure incurred in financial year 2018-2019. The £1.132 million in additional grant contributed to reserves, together with the £4.679 million drawdown from ringfenced reserves and the

£0.029 million addition to unallocated reserves, has resulted in a net drawdown from General Fund balances of £3.518 million for financial year 2017-2018.

The Council incurred significant costs in relation the “Beast from the East” severe weather experienced in late February/early March 2018 estimated at £0.5 million. Additional financial support from the Scottish Government helped mitigate some of this cost; however, it is a reminder of the need for the Council to maintain adequate reserves to deal with unforeseen circumstances and events.

Combining the actual draw on reserves of £3.518 million with the accumulated General Fund balance brought forward from 2016-2017 of £48.726 million, produces a cumulative working balance of £45.208 million to be carried forward to 2018-2019. Of this balance, £38.114 million has been earmarked for a particular purpose as outlined in Note 7 (£36.982 million for ringfenced reserves and £1.132 million on additional grant). This leaves a balance of £7.094 million of unallocated reserves (1.8% of the Council’s net annual running costs) which is broadly in line with the Council’s financial planning principles.

#### Housing Revenue Account

The Housing Revenue Account balance reduced by £3.004 million in year, which represents the balance of the HRA reserves brought forward from 2016-2017 previously earmarked to support tenants affected by Welfare Reform. The Council agreed to incorporate the delivery of measures to mitigate the impact of Welfare Reform into the mainline service provision from 1 April 2018, by utilising the reserves previously earmarked for Welfare Reform to smooth debt repayments. Therefore, during 2017-2018 £0.441 million was spent on measures to support tenants affected by the Welfare Reform agenda with the remaining £2.563 million being used to smooth future debt repayments.

#### Trading Operations

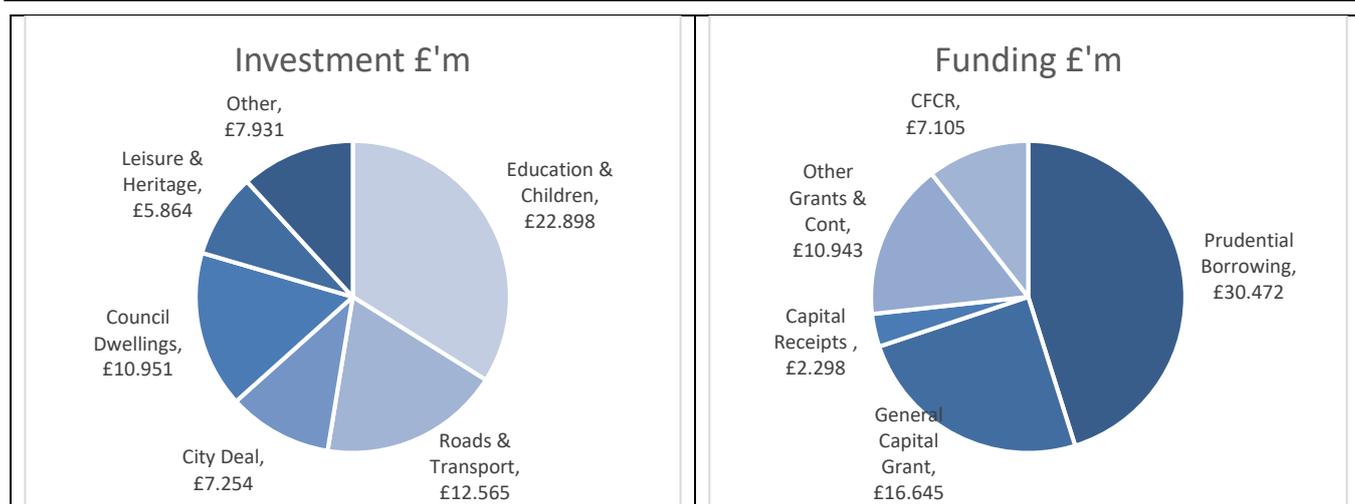
All trading operations are “non-significant” according to the relevant regulations and as such the trading accounts are not required to be disclosed, however trading accounts are produced for management purposes and are therefore provided at Note 26 for information. The practice of maintaining trading operation accounts for management purposes ceased from 1 April 2018 as agreed by the Finance, Resources and Customer Services Policy Board on 28 March 2018.

Building Services	<ul style="list-style-type: none"> <li>• Budgeted 17/18 surplus - £0.468 million</li> <li>• Actual 17/18 surplus - £0.315 million</li> </ul>
Catering	<ul style="list-style-type: none"> <li>• Budgeted 17/18 surplus - £0.451 million</li> <li>• Actual 17/18 surplus - £0.308 million</li> </ul>
Vehicle Maintenance	<ul style="list-style-type: none"> <li>• Budgeted 17/18 surplus - £0.506 million</li> <li>• Actual 17/18 surplus - £0.528 million</li> </ul>
Roads Services	<ul style="list-style-type: none"> <li>• Budgeted 17/18 surplus £0.125 million</li> <li>• Actual 17/18 surplus - £0.142 million</li> </ul>

The overall surplus on all trading operations for the year of £1.293 million was £0.257 million less than the planned surplus of £1.550 million. This under-recovery against the planned surplus is attributable to Building Services and Catering Services and reflects the impact of the severe weather experienced in early February and early March. The surplus for the year from the trading operations has been added to General Fund balances, with the exception of the Building Services surplus which was split between the General Fund and the Housing Revenue Account balance in line with agreed Council policy.

#### Capital and Borrowing

The Council continues to make significant capital investment in the council housing, schools, leisure, community and town centre estate. On 16 February 2017 the Council approved the housing capital investment programme for 2017-2018 of £19.9 million; and the general fund capital investment programme of £76 million. 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 £67.463 million. Further detail is provided in Note 14.



During the course of 2016-2017 the Council undertook borrowing totalling £32 million in order to refinance maturing loans totalling £23 million over the course of 2016-2017 and 2017-2018; taking advantage of historically low interest rates and also to ensure sufficient cash availability for planned capital programmes over the medium term. The level of cash balances available to the Council remains consistent with daily cash requirements, treasury and capital investment plans.

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 at Note 23.

An important element of the Council's medium term financial planning includes the strategy of debt smoothing, which continues to be implemented to ensure 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.

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, most recently on 21 December 2017. 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 2018 was £347 million, which is within the approved limit of £380 million. The Council's external borrowings have only been applied for capital investment purposes, with the Council's net external debt being £305 million at 31 March 2018 compared to the operational boundary of £380 million. 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 5.7% as a proportion of the Council's non-housing net revenue stream. Housing related financing costs as at 31 March 2018 were 44%, equal to the planned limit of 44%. However additional debt repaid in the year in line with the agreed business plan temporarily results in financing costs as at 31 March 2018 being 59% of net revenues.

#### Public Private Partnerships

Outstanding commitments on PPP contracts are £393.2 million – further detail on these is shown in Note 15. During 2017-2018, £15.897 million was paid to the contractor under the terms of the agreement.

#### Net Pension Position

The disclosure requirements for pension benefits under IAS19 are detailed in Notes 30 and 31. The appointed actuaries have confirmed an improvement of £174.424 million in their assessment of the actuarial deficit position of the local government pension fund. This movement is the net outturn from decreased liabilities as at 31 March 2018 than the previous year.

The assessment provides only a snapshot as at 31 March 2018 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 earmarked £36.982 million for specific purposes.

The Council continues to manage the risks associated with equal and holiday pay legislation and regularly assesses the potential exposure of the Council in the context of any changes emerging as a consequence of legal precedent, progress achieved by the Council in handling specific claims and the associated wider implications on the Council's overall risk profile. In line with this ongoing process of re-assessment of risk, the Council has maintained a level of provision.

The Council has recognised a small number of contingent assets and liabilities which it continues to monitor. Further detail is provided at Note 32.

There were a number of immaterial write-offs during the year which were approved by the relevant Policy Board or the Director of Finance and Resources under delegated authority.

#### Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2017-2018, and the affordability of its ongoing commitments.

<b>Financial Indicator</b>	<b>Commentary</b>	<b>2016-2017</b>	<b>2017-2018</b>
<b>Reserves</b>			
Uncommitted General Fund reserves as a proportion of budgeted net expenditure	Reflects the level of funding available to meet unplanned expenditure and manage financial risk. The Council has agreed this balance should not fall below £7 million.	1.9%	1.8%
Movement in uncommitted General Fund balance	Reflects the extent to which the Council is using uncommitted reserves.	0.7%	0.4%
<b>Council Tax</b>			
In-year collection rate	Reflects the Council's effectiveness in collecting council tax debt	96.0%	96.0%
Council tax income as a proportion of total taxation and non-specific grant income	Reflects the Council's ability to vary expenditure by raising council tax, the principal local authority controlled source of finance. Council tax has been frozen since 2007-2008.	17.1%	18.3%
<b>Debt/Long term borrowing</b>			
Capital Financing Requirement (CFR)	The information in this section demonstrates that external debt levels are within prudential parameters, and that the level of borrowing is affordable. Further information is available in the Treasury Management Annual Report as agreed by Council on 28 June 2018.	£349.9 million	£351.0 million
External debt		£319.4 million	£305.3 million
Ratio of financing costs to net revenue stream (General Services only)		4.5%	5.7%

## Financial Outlook and Key Risks

The Financial Outlook reported to the Leadership Board in December 2017 outlined continued risk to the Scottish local government settlement. 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. At present, economic growth in Scotland continues to lag that of the UK and there exists a wide range of downside risks associated with economic and political uncertainty linked to the UK exit process from the European Union and wider global influences on the UK and Scottish economies. In this context, the Scottish Government's budget will experience new and uncharted levels of uncertainty and challenge. This context, coupled with the Scottish Government's stated commitments as outlined in their recently published Medium Term Financial Strategy in relation to growing in real terms spending in the NHS, protecting Police spending in real terms, both of which will become increasingly challenging commitments when consumer price inflation has ranged up to 3%, and the commitment to almost double the level of free early years nursery hours over the course of this Parliament, presents what is likely to be continuing challenges over the medium term for local government grant levels in Scotland.

The local government grant settlement for 2018-2019 (again only a single year settlement being announced) was initially cut, with Renfrewshire initially facing a like for like reduction in funding of 0.8%, however as the Budget Bill progressed through the Parliamentary approval process, additional funding was added to the local government settlement which converted the cut for Renfrewshire to a 1.0% cash increase. As in 2017-2018, the timing of the local government settlement announcement left the Council limited time to respond. A balanced budget position moving into 2018-2019 was agreed reflecting well on the budget decisions taken to date by the Council as part of addressing the medium term savings requirement facing the Council, and also incorporating significant temporary investment in measures to continue to Tackle Poverty and invest in Renfrewshire communities. The Council also agreed a 3% council tax increase for 2018-2019 – the first increase in council tax in 10 years.

The Council continues to hope that the Scottish Government will provide a multi-year settlement in future years to support the Council to develop sustainable financial plans over the medium term, however there appears to be limited prospect of this until the next UK Government Comprehensive Spending Review in 2019. The financial outlook for the Council remain based on an assumption that the Council's grant settlement is highly likely to further reduce given Scottish Government policy commitments to grow and protect in real terms the budgets relating to the NHS and policing as outlined in their Medium Term Financial Strategy. Each 1% cut to the Council's grant represents a £3 million loss in resource.

Service and cost pressures arising from demographic and socio-economic factors continue to play a major role in driving spending pressures for the Council, particularly in relation to adult social care services, now delivered by the Renfrewshire Health and Social Care Partnership (RHSCP). A key strand of the Council's medium term financial strategy is to progress in partnership with the RHSCP a range of demand-management workstreams which mitigate these pressures through a commitment to service redesign, supporting early intervention and prevention for older people and early years client groups. As well as mitigating long term cost growth, these measures are focused on delivering better long term outcomes for clients and their families.

The impact of Welfare Reform continues to be felt, with both the Scottish Welfare Fund and Discretionary Housing Payments continuing to experience high demand, reflecting the financial pressures felt by households. The Council along with key partners remains committed to supporting residents prepare for and manage the impact of changes for themselves, their families and communities. Universal Credit will be fully rolled out in Renfrewshire from September 2018.

A further emerging pressure for the Council is the management of waste, where refuse collection, disposal and recycling costs are increasing. Recycling costs are a particular pressure linked to the global market downturn for dry recycle material.





In the face of these challenges, the Council continues to proactively invest in a range of measures to stimulate the local economy and improve the lives of residents such as improved digital connectivity and improvements to local roads. In August 2014 the Council agreed a range of significant investments under the Glasgow and Clyde Valley City Deal programme. Over the next 10 years the City Deal will deliver £1.13 billion of public sector investment in infrastructure in the region, generating 29,000 new jobs. Particular to Renfrewshire, the ongoing regeneration of areas of the Clyde Waterfront and the investment area around Glasgow Airport along with improved road and rail access, will deliver sustained economic growth and improved employment prospects across Renfrewshire's communities.

The Council has also committed significant funds to invest in Heritage and Cultural assets and events as a driver for economic growth, with planned investment in Paisley Museum and a range of other heritage assets being key to delivering sustainable economic growth. While the Council's bid for UK 2021 City of Culture was ultimately unsuccessful, the Council has agreed a range of legacy investments which will ensure the momentum built over the bidding process is maintained as a driver for economic regeneration.



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 our treasury advisors the criteria for placing deposits with financial institutions on the Council's approved counterparty list, making use of immediately accessible deposit facilities and also making continued use of the Debt Management Account Deposit Facility operated by the Debt Management Office within HM Treasury. In addition, as part of the Council's treasury strategy, the Council 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 kept under careful review in order that the Council retains sufficient cash balances to support its ongoing and future requirements and remains alert to any anticipated adverse movement in future borrowing rates.

### 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 four 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 charitable trusts and Park Lane Developments (Renfrewshire) Limited Liability Partnership. 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 Murshiel Park Authority, Scotland Excel, Glasgow and Clyde Valley Strategic Development Planning Authority and Glasgow City Region – City Deal Cabinet.

Further information on the activities and services offered by Renfrewshire Leisure Limited and Renfrewshire Health and Social Care Partnership can be obtained from their websites:

[www.renfrewshireleisure.com](http://www.renfrewshireleisure.com).

<http://www.renfrewshire.hscp.scot/>

### 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 a small number of charitable trusts. 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 registered trusts, 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 deficit of £0.634 million that is added to the previous surplus brought forward. The total net asset value increased by £0.087 million, with investments decreasing by £0.244 million. The

trustees for the charitable trusts at a meeting on 28 March 2018 resolved to wind up the majority of trusts with the consent of OSCR. The annual accounts of the Common Good Funds and charitable trusts are available on the Council website.

**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)), by telephone (0141-618-7363) or by visiting the Customer Service Centre at Renfrewshire House.

**Cllr Iain Nicolson**  
Leader of the Council  
27 September 2018

**Sandra Black**  
Chief Executive  
27 September 2018

**Alan Russell**  
Director of Finance and Resources  
27 September 2018

### 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 [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk)

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 (also referred to as its Local Outcome Improvement Plan) details how community planning partners will work together to achieve the key priorities identified for Renfrewshire. Revised governance arrangements for community planning were approved in late 2016 and continue to be implemented.
- The key outcomes the Council is committed to delivering with its partners, are set out in the Community Plan and Local Outcome Improvement Plan. An initial locality plan has also been developed.
- 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 allows for the five statutory Local Area Committees 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' which was reviewed in January 2018. 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.
- 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.
- There are adequate cyber security controls in place including a dedicated cyber security officer and conformance to the cyber essentials standards.
- This governance framework has been in place at Renfrewshire Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

Governance arrangements are in place within Renfrewshire Leisure Limited (RLL) and have been operating throughout the year with reports on performance being provided to the council's Leadership Board. The recent Best Value review recommended that the council should review its governance arrangements to ensure they provide for a relationship with RLL that is clear, independent, and more easily understood by the public. A review of the governance arrangements will be completed by November 2018, as an initial step the Council agreed to reduce the number of Council appointed directors of RLL by withdrawing the appointment of two senior officers to the Board. Also, reporting arrangements were updated to ensure that a summary version of RLL's business plan was available as a public item for consideration in line with the recommendations made in the Best Value report.

#### **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.

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

The Chief Financial Officer in a public service organisation:

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

To deliver these responsibilities the Chief Financial Officer:

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

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The Chief Finance Officer is the Director of Finance and Resources, the Council, therefore, considers that it complies with the above statement.

#### **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 recommendation 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, and Audit Panel. Internal Audit undertakes an annual programme of work, approved by the Board, based on a strategic risk assessment. The Chief Auditor provides an independent opinion on the adequacy and effectiveness of the governance framework, risk management and internal control.

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, including communication of finalised audit engagements, monitoring the progress of agreed management actions and communication of unacceptable risk to the Board, were reviewed and formalised in March 2018.

#### **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 a self-assessment tool involving completion of a 34 point checklist covering five key areas of governance:

- 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

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's financial regulations and codes require to be reviewed and updated this review is currently ongoing and will be completed by Summer 2018.

The Council continues to develop its approach to working with communities, and as part of this a review of community level governance arrangements will be undertaken. The consultation ended in April 2018, and it is intended that proposals will be submitted to full Council for approval in September 2018.

All community planning partnerships in Scotland are required to develop one or more Locality Plans associated with the area-wide Local Outcome Improvement Plans. Within this context it is our ambition to develop Locality Plans covering all communities in Renfrewshire, our first detailed locality plan will focus on the communities that experience poorest outcomes currently and specifically those that live within the 5% most deprived areas in Renfrewshire. Although not geographically connected, Renfrewshire Community Planning Partnership has identified as a community of interest the 9,000 people in Renfrewshire who live within the 5% most deprived areas in Scotland. This community of interest shares common needs and aspirations and will be the focus of the initial phase of locality planning in Renfrewshire.

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. A corporate self-assessment framework based on the Public Service Improvement Framework has been in place across the Council for almost 10 years. The framework was reviewed in late 2017 and a revised model of self-assessment the 'Renfrewshire Continuous Improvement model' will be piloted in Autumn 2018.

The Council continues to recognise the need to exercise strong financial management arrangements to manage the financial pressures common to all local authorities. Regular reviews of the Council's arrangements are undertaken by Internal Audit and overall the Council's internal financial control arrangements are sound.

Renfrewshire Council was one of 6 Councils in Scotland to have a Best Value Assurance report published as part of the new national best value methodology. The report was positive, outlining 7 key recommendations for the Council to address ranging from elected member scrutiny to workforce planning and community empowerment. A Best Value Improvement Plan linked to the audit report, was approved by Council in September 2017. The first 6 monthly monitoring report was submitted to the Leadership Board in April 2018. As part of the new methodology for auditing best value, the Council's audit team from Audit Scotland work with the organisation on a continuous basis. Over the course of 2018, the external audit team will review the progress achieved to date in terms of implementing the Best Value improvement plan, as set out in the Local Audit Plan.

The council's risk management arrangements continue to mature well. During the formal review of the policy and strategy in 2016, it was noted that over time the corporate risk register had been maturing to include risks that were not only focused on challenges internal to the council but very often focused on risks impacting on our communities. To ensure good governance for such risks an opportunity was taken to develop a new strategic risk register. With new board structures following the May 2017 elections, all strategic, corporate and key service risks are now presented regularly to the Audit, Risk and Scrutiny Board and new arrangements have been made to facilitate this.

The Council welcomes the approach taken by external inspection agencies, through the Local Area Network to develop comprehensive annual Local Scrutiny Plan which is proportionate and based on risks identified. The 2018/19 shared risk assessment process has not identified, from its assessment for Renfrewshire Council, any additional risk areas where specific scrutiny is required, other than that which is nationally directed or part of on-going work programmes by Scrutiny Bodies.

In preparation for the introduction of the new EU General Data Protection Regulations in May 2018, the Council has appointed a statutory Data Protection Officer and an action plan has been taken forward based on the Information Commissioners Office guidance 'Preparing for the data protection regulation – 12 steps to take now'. The action plan covers compliance, communications and training and will be updated as necessary, as further guidance for, the ICO and the EU Article 29 working party. A revised data protection policy has been developed and approved for implementation on 25 May 2018.

The Scottish Government is currently consulting on education reform and the establishment of regional collaboratives, the Council has actively participated in these consultations and will continue to monitor developments and review and revise governance arrangements as necessary.

The programme of work undertaken by Internal Audit identified a number of areas where no or limited assurance could be provided in relation to the internal control, risk management and governance objectives for the specific areas of each audit review. The following areas have been identified as requiring improvement:

Corporate health and safety – the review highlighted that governance and operational arrangements were not adequate. Management agreed to undertake a comprehensive review of these arrangements, this review is currently ongoing.

External funding – it was identified that there were inadequate corporate oversight arrangements in place to ensure that external funding applications are maximised and support the Council’s objectives. Management agreed to establish a new post to take forward the recommendations, including development of a funding strategy and register of funding.

Adults with incapacity – procedures were found to be out of date and there was a lack of evidence to support that the correct process had been followed. A revised policy, process flow chart, referral forms and supporting guidance have been developed to ensure the accuracy and timely completion of the relevant paperwork and required authorisation process.

Charging and payments – improvements are required in relation to financial assessment and reassessment for non-residential care and raising invoices. Management agreed to review the procedures to minimise delays and clearly document the procedures to be followed.

Records management - the review highlighted that there are elements of non-compliance by service departments and slippage in the action plan for delivery of the records management plan. A recruitment exercise for a Records Manager has been completed and timescales will be revised for the action plan, service working groups will also be re-introduced.

Payroll – the council’s external auditors highlighted weaknesses within the processes for timeously actioning changes to employees pay including removing employees who have left the council from the payroll system, which has resulted in overpayments. Management is making every effort to minimise overpayments and has put in place measures to actively monitor payroll overpayments. Processes, procedures and management information will be reviewed in line with the implementation of Business World ERP system due to go live in October 2018.

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 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.

<b>Agreed action</b>	<b>Responsible person</b>	<b>Date</b>
Continue to implement the governance arrangement for community planning.	Head of Policy and Commissioning	Spring 2019
Complete the review of Renfrewshire Leisure Limited’s governance arrangements following publication of Audit Scotland national review report.	Head of Policy and Commissioning	Winter 2018
Complete the review of the Financial Regulations for approval by the Council and the supporting financial codes.	Director of Finance and Resources	Summer 2018
Review the community lead governance arrangements for approval by the Council.	Head of Policy and Commissioning	Summer 2018
Develop a detailed locality plan focusing on the communities that experience the poorest outcomes.	Head of Policy and Commissioning	Spring 2019
Pilot the revised Renfrewshire continuous improvement model of self-assessment.	Head of Policy and Commissioning	Autumn 2018
Continue to monitor the delivery of the actions contained in the Best Value Improvement Plan.	Chief Executive	Continuing
Continue to monitor and respond to developments in education reform and the establishment of regional collaboratives.	Director of Childrens’ Services and Head of Corporate Governance	Continuing

Review the governance and operational arrangements for corporate health and safety and formalise the health and safety strategy for approval by Board.	Director of Finance and Resources	Summer 2018
Improve the corporate oversight of external funding applications.	Head of Regeneration	Winter 2018
Improve the procedures for non-residential care charging and payments.	Head of Business and Customer Services and Head of Adult Services	Winter 2018
Revise the action plan for records management and monitor delivery.	Head of Corporate Governance	Summer 2018
Review the counter fraud strategy and submit to Board for approval.	Chief Auditor	Summer 2018
Continue to complete the recommendations to ensure full compliance with the PCI DSS standards.	Head of ICT	Autumn 2018
Payroll processes, procedures and management information will be reviewed in line with the implementation of Business World ERP system.	Head of Business and Customer Services	Spring 2019

#### Update on the 2016/2017 Action Plan

The 2016/17 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	Responsible person	Original Date	Revised Date
Develop a new strategic Council Plan for the period 2017 – 2020, to reflect the priorities of the administration following the Local Government elections.	A refreshed Council Plan was approved by the Council in September 2017.	Head of Policy and Commissioning	Summer 2017	Complete
Approve the Local Outcome Improvement Plan and locality plans and publish these as required by legislation.	The Local Outcome Improvement Plan (Community Plan – “Our Renfrewshire 2017 – 2027”) was approved by Council in September 2017.	Head of Policy and Commissioning	Summer 2017	Complete
Implement the improvement plan actions arising from the Corporate Self-Assessment.	Superseded by the actions set out in the Best Value improvement plan approved by Council in September 2017.	Head of Policy and Commissioning	Summer 2017	Superseded
Review and update the code of conduct for employees.	A revised Employee Code of Conduct was approved by the Finance, Resources and Customer Services Policy Board in November 2017.	Head of HR and Organisational Development	Autumn 2017	Complete
Review the arrangements for internal audit reporting to the Audit, Risk and Scrutiny Board on the implementation of management actions arising from internal audit engagements.	The revised Internal Audit reporting arrangements were formalised in a report to the Audit, Risk and Scrutiny Board in March 2018.	Chief Auditor	Winter 2017	Complete
Develop an action plan to implement the	The action plan was approved by the Council in September	Chief Executive	Autumn 2017	Complete

recommendations arising from the Best Value review.	2017. The Action Plan is monitored on a 6-monthly basis by the Leadership Board.			
Update the guidance for gifts and hospitality and promote staff awareness through training.	The Code of Conduct has been reviewed and is still considered to be fit for purpose, minor alterations were made to the Code. Reminder email was issued to staff to raise awareness of the Code.	Head of Corporate Governance	Summer 2017	Complete
Develop expenditure monitoring and contract oversight arrangements through the implementation of the Enterprise Resource Planning system and associated monitoring activity.	There is a go live date for the purchase to pay element of Business World. The new system will provide for better oversight of contract spend and will help to address any identified areas of non-compliant spend	Head of Policy and Commissioning	Spring 2018	Spring 2019
Strengthen the arrangements for corporate Health and Safety, including implementing the 3 year health and safety strategy and improve communication with services.	Ongoing - A revised corporate health and safety policy was approved by Board in March 2018. The health and safety strategy is currently in draft and is expected to be submitted to Board following completion of the governance review being undertaken by the Director of Finance and Resources.	Head of HR and Organisational Development	Spring 2018	Summer 2018
Develop appropriate policies, procedures and guidance to support the corporate counter fraud arrangements.	Ongoing – The corporate counter fraud business plan has been developed and procedural practice notes have been developed for some areas identified in the business plan. The counter fraud strategy is currently in draft and is to be formalised and submitted for approval to Board in the Summer of 2018.	Chief Auditor	Spring 2018	Autumn 2018
Implement the action plan to ensure full compliance with Payment Card Industry Standards.	Ongoing – Work has progressed to complete the recommendations to ensure full compliance although some recommendations still require to be actioned.	Head of ICT	Spring 2018	Winter 2018
Review the arrangements for the governance of RLL to ensure that the arrangements are clear, independent, and more easily understood by the public.	Ongoing - The Council agreed to remove the two senior officers appointed as directors of RLL which is one of the criticisms in the BVAR. The change was approved by Leadership Board on 21 February 2018 and has now been implemented.	Head of Policy and Commissioning	Spring 2018	Winter 2018

In addition to the table above, in 2016/2017, Internal Audit identified areas requiring improvement the following actions have been taken in relation to these areas:

- Catering income – Revised reconciliation procedures have been implemented and improvement actions have been taken in relation to the security of cash, segregation of duties, record keeping. There is regular monitoring of compliance procedures by the service.
- Facilities management – Improved procedures have been put in place for instruction and monitoring of remedial works. Training has been undertaken to improve record keeping.
- Fleet management – Improved vehicle tracking system has been procured and documented procedures establish for driver and vehicle checks.
- Contract management – contract frameworks are now in place for the procurement of all aspects of road infrastructure repair, maintenance and improvement.

#### **Assurance**

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2017-2018 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  
27 September 2018

**Sandra Black**  
Chief Executive  
27 September 2018

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 2017. The salary for the Leader of the Council in 2017-2018 was £33,857 per annum (£33,789 in 2016-2017) and the salary for the Provost was £25,392 per annum (£25,146 in 2016-2017).

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 2017-2018 being £296,238 per annum; and whose salaries individually must be on a specified scale, in 2017-2018 £16,927 to £25,392. In May 2017 the Council approved that Renfrewshire would have twelve senior councillors: four Policy Board Conveners (salary of £25,100 per annum in 2017-2018); four Regulatory Board Conveners (salary of £20,700 in 2017-2018); Chair of Renfrewshire Leisure Board; Chair/Vice-Chair of Integration Joint Board and two Leaders of the Opposition (salary of £20,700 in 2017-2018).

### **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.

In line with all local government employee groups, senior employees received a 1.0% pay award in 2017-2018.

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

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

- who 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.
- who 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 any subsidiary bodies.

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 2018, whether or not those amounts were actually paid to, or received by, those persons within that period.

2016-2017			2017-2018					
Total	Name	Post held	Annual Salary	Other fees and allowances (i)	Expenses allowance chargeable to UK income tax	Compensation for loss of employment (ii)	Other (iii)	Total
£			£	£	£	£	£	£
157,266	Sandra Black	Chief Executive	140,202	8,550	-	-	-	148,752
112,979	Shona MacDougall	Director of Community Resources	113,907	350	-	-	-	114,257
112,779	Mary Crearie	Director of Development and Housing Services (seconded to City of Culture Bid) - 24/07/17 to 15/04/18	113,907	-	48	-	-	113,955
112,779	Peter MacLeod	Director of Children's Services	113,907	-	-	-	-	113,907
120,213	Alan Russell	Director of Finance and Resources	113,906	3,420	-	-	-	117,326
-	Alasdair Morrison	Acting Director of Development and Housing Services - 24/07/17 to 15/04/18	104,028	350	-	-	-	104,378
<b>616,016</b>	<b>Total</b>		<b>699,857</b>	<b>12,670</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>712,575</b>

2016-2017			2017-18					
Total	Name	Post held	Annual Salary	Other fees and allowances (i)	Expenses allowance chargeable to UK income tax	Compensation for loss of employment (ii)	Other (iii)	Total
£			£	£	£	£	£	£
94,761	Joyce McKellar	Chief Executive, Renfrewshire Leisure	95,709	-	-	-	-	95,709
<b>94,761</b>	<b>Total</b>		<b>95,709</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95,709</b>

(i) Other Fees and Allowances relates to other payments made to officers for example in their role as either returning officer or election staff;

(ii) includes any other payments made to or receivable by the person in connection with the termination of their employment;

(iii) "other" includes any payments made by the Council by way of remuneration to, or in respect of, the person that do not otherwise fall within this paragraph, other than payments relating to pensions.

There were no non-consolidated bonuses or performance related payments made to any senior officer in 2017-2018.

#### 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 2018, whether or not those amounts were actually paid to, or received by, those persons within that period.

2016-2017		Leader of the Council, Provost, senior councillors		2017-2018	
Total	Name	Position held	Salary, fees and allowances	Expenses allowance chargeable to UK income tax	Total
£			£	£	£
33,891	Mark Macmillan <sup>(1)</sup>	Leader of the Council	3,147	-	3,147
26,096	Anne Hall <sup>(1)</sup>	Provost	2,342	133	2,475
25,146	Mike Holmes <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
25,146	Jim Harte <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
25,146	Tommy Williams <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
25,146	Jacqueline Henry <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
25,146	Iain McMillan <sup>(1)</sup>	Renfrewshire Health and Social Care Partnership Representative	2,342	-	2,342
25,146	Roy Glen <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
25,146	Eddie Devine <sup>(1)</sup>	Policy Board Convener	2,946	-	2,946
20,774	Sam Mullin <sup>(1)</sup>	Regulatory Board Convener	1,967	-	1,967
20,774	John Hood <sup>(1)</sup>	Regulatory Board Convener	1,935	-	1,935
20,774	Jim Sharkey <sup>(1)</sup>	Regulatory Board Convener	1,935	-	1,935
20,774	Alexander Murrin <sup>(1)</sup>	Regulatory Board Convener	1,935	-	1,935
14,950	Terry Kelly <sup>(1)</sup>	Policy Board Convener	2,342	-	2,342
3,813	Kenny MacLaren <sup>(1)</sup>	Leader of the Opposition	1,935	-	1,935
-	Iain Nicolson <sup>(2)</sup>	Leader Of the Council	29,499	-	29,499
-	Lorraine Cameron <sup>(2)</sup>	Provost	22,123	-	22,123
-	Cathy McEwan <sup>(2)</sup>	Policy Board Convener	21,869	-	21,869
-	Marie McGurk <sup>(2)</sup>	Policy Board Convener	21,869	-	21,869
-	Jim Paterson <sup>(2)</sup>	Policy Board Convener	21,869	-	21,869
-	John Shaw <sup>(2) (3)</sup>	Policy Board Convener	21,869	-	21,869
-	Lisa Marie Hughes <sup>(2)</sup>	Chair Renfrewshire Leisure	21,869	-	21,869
-	Jacqueline Cameron <sup>(2)</sup>	Chair/Vice Chair IJB	21,869	-	21,869
-	John McNaughtan <sup>(2)</sup>	Regulatory Board Convener	18,035	-	18,035
-	Bill Binks <sup>(2)</sup>	Regulatory Board Convener	18,035	-	18,035
-	Jennifer Adams McGregor <sup>(2)</sup>	Regulatory Board Convener	18,035	-	18,035
-	Andy Steel <sup>(2)</sup>	Regulatory Board Convener from 21/06/2017	16,050	-	16,050
-	Audrey Doig <sup>(2)</sup>	Convener Renfrewshire Valuation Joint Board from 30/06/2017	15,989	-	15,989
-	Eddie Devine <sup>(2)</sup>	Leader of largest opposition group	18,035	-	18,035
-	James MacLaren <sup>(2)</sup>	Leader of 2nd largest opposition group	18,035	-	18,035
<b>337,868</b>	<b>Total</b>		<b>339,586</b>	<b>133</b>	<b>339,719</b>

No payments were made in connection with loss of employment or office, nor were any other payments made which are not included in the above table. The Local Government Election took place on 4 May 2017. The above table shows the salaries for all Councillors who held Senior Councillor appointments before and after the election.

(1) Appointed until 4 May 2017

(2) Appointed from 18 May 2017 unless otherwise stated.

(3) Cllr John Shaw is also Convener of the Scotland Excel Joint Committee. Cllr Shaw receives no remuneration for this appointment.

## 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:

<b>Contribution rate</b>	<b>Whole time pay 2016-2017</b>	<b>Whole time pay 2017-2018</b>
5.5%	On earnings up to and including £20,500	On earnings up to and including £20,700
7.25%	On earnings above £20,500 and up to £25,000	On earnings above £20,700 and up to £25,300
8.5%	On earnings above £25,000 and up to £34,400	On earnings above £25,300 and up to £34,700
9.5%	On earnings above £34,400 and up to £45,800	On earnings above £34,700 and up to £46,300
12%	On earnings above £45,800	On earnings above £46,300

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 1/49th 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 figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The pension entitlements for Senior Employees and Senior Councillors for the year to 31 March 2018 are shown in the table below, together with the contribution made by the Council to each individual's pension during the year.

Senior employees		Accrued pension benefits as at 31 March 2018		Change in accrued pension benefits since 31 March 2017		Pension contributions made by Renfrewshire Council during 2017-2018
Name	Post held	Pension	Lump Sum	Pension	Lump Sum	
		£m	£m	£m	£m	£
Sandra Black	Chief Executive	0.070	0.138	0.004	0.002	28,239
Shona MacDougall	Director of Community Resources	0.059	0.120	0.003	0.001	21,984
Mary Crearie	Director of Development and Housing Services (seconded to City of Culture Bid) - 24/07/17 to 15/04/18	0.044	0.076	0.003	0.001	21,984
Peter MacLeod	Director of Children's Services	0.049	0.091	0.003	0.001	21,984
Alan Russell	Director of Finance and Resources	0.041	0.068	0.003	-	21,984
Alasdair Morrison	Acting Director of Development and Housing Services - 24/07/17 to 15/04/18	0.015	-	0.002	-	20,077
<b>Total</b>		<b>0.278</b>	<b>0.493</b>	<b>+0.018</b>	<b>+0.005</b>	<b>136,252</b>

Senior Employees of Subsidiary Bodies		Accrued pension benefits as at 31 March 2018		Change in accrued pension benefits since 31 March 2017		Pension contributions made during 2017-2018
Name	Post held	Pension	Lump Sum	Pension	Lump Sum	
		£m	£m	£m	£m	£
Joyce McKellar	Chief Executive, Renfrewshire Leisure	0.050	0.103	0.006	0.005	18,152
<b>Total</b>		<b>0.050</b>	<b>0.103</b>	<b>0.006</b>	<b>0.005</b>	<b>18,152</b>

**Leader of the Council, Provost, senior councillors**

Name	Post held	Accrued pension benefits as at 31 March 2018		Change in accrued pension benefits since 31 March 2017		Pension contributions made by Renfrewshire Council during 2017-2018
		Pension	Lump Sum	Pension	Lump Sum	
		£m	£m	£m	£m	
Mark Macmillan	Leader of the Council	0.003	0.001	-	-	607
Anne Hall	Provost	-	-	-	-	-
Mike Holmes	Policy Board Convener	0.004	0.002	-	-	452
Jim Harte	Policy Board Convener	-	-	-	-	-
Tommy Williams	Policy Board Convener	0.004	0.002	-	-	452
Jacqueline Henry	Policy Board Convener	0.002	-	-	-	452
Iain McMillan	Renfrewshire Health and Social Care Partnership Representative	-	-	-	-	-
Roy Glen	Policy Board Convener	0.003	-	-	-	452
Eddie Devine	Policy Board Convener	-	-	-	-	-
Sam Mullin	Regulatory Board Convener	0.003	0.001	-	-	380
John Hood	Regulatory Board Convener	0.002	-	-	-	373
Jim Sharkey	Regulatory Board Convener	-	-	-	-	-
Alexander Murrin	Regulatory Board Convener	0.003	0.001	-	-	373
Terry Kelly	Policy Board Convener	-	-	-	-	-
Kenny MacLaren	Leader of the Opposition	0.002	-	-	-	373
Iain Nicolson	Leader Of the Council	0.004	0.002	+0.001	-	5,693
Lorraine Cameron	Provost	-	-	-	-	-
Cathy McEwan	Policy Board Convener	0.002	-	+0.001	-	4,221
Marie McGurk	Policy Board Convener	0.001	-	+0.001	-	4,221
Jim Paterson	Policy Board Convener	-	-	-	-	2,795
John Shaw	Policy Board Convener	-	-	-	-	4,221
Lisa Marie Hughes	Chair Renfrewshire Leisure	-	-	-	-	4,221
Jacqueline Cameron	Chair/Vice Chair IJB	-	-	-	-	4,221
John McNaughtan	Regulatory Board Convener	-	-	-	-	3,481
Bill Binks	Regulatory Board Convener	-	-	-	-	-
Jennifer Adams McGregor	Regulatory Board Convener	-	-	-	-	3,481
Andy Steel	Regulatory Board Convener from 21/06/2017	-	-	-	-	3,114
Audrey Doig	Convener RVJB from 30/06/2017	-	-	-	-	-
Eddie Devine	Leader of largest opposition group	0.004	0.001	+0.001	-	4,049
James MacLaren	Leader of 2nd largest opposition group	0.002	-	-	-	3,481
<b>Total</b>		<b>0.039</b>	<b>0.010</b>	<b>+0.004</b>	<b>-</b>	<b>51,113</b>

All senior employees and councillors with contributions and benefits shown in the tables above are members of the Local Government Pension Scheme (LGPS).

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

## 6. Councillors' remuneration

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

2016-2017		2017-2018	
£		£	
775,878	Salaries	786,415	
6,418	Travel costs – reimbursed	3,906	
12,639	Travel costs – paid directly by the Council	10,949	
503	Subsistence expenses - reimbursed	303	
-	Subsistence expenses -paid directly by the Council	-	
205	Training and Conferences	5,252	
1,316	Telephone and information communication technology expenses – reimbursed	153	
7,966	Telephone and information communication technology expenses – paid directly by the Council	13,125	
1,037	Other allowances and expenses	134	
<b>805,962</b>	<b>Total</b>	<b>820,237</b>	

The public record of members' salaries, allowances and expenses for 2017-2018 is available for inspection during normal working hours at the Customer Service Centre, Renfrewshire House, Cotton Street, Paisley. The public record is also available on the "Register of Councillors' Interests" page of the Council's website: [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk).

## 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 2017-2018, in bands of £5,000; and also details of the number of those employees highlighted who left the employment of the Council during 2017-2018. This information includes those senior employees who are subject to the fuller disclosure requirements in the tables above.

2016-2017		2017-2018		2016-2017		2017-2018	
Number of Employees	Remuneration band	Number of Employees	Left during 2017-2018	Number of Employees	Remuneration band	Number of Employees	Left during 2017-2018
116	£50,000 to £54,999	141	1	-	£105,000 to £109,999	-	-
54	£55,000 to £59,999	47	1	3	£110,000 to £114,999	3	-
7	£60,000 to £64,999	24	-	-	£115,000 to £119,999	1	-
8	£65,000 to £69,999	9	1	1	£120,000 to £124,999	-	-
8	£70,000 to £74,999	4	-	-	£125,000 to £129,999	-	-
3	£75,000 to £79,999	2	-	-	£130,000 to £134,999	-	-
8	£80,000 to £84,999	5	1	-	£135,000 to £139,999	-	-
6	£85,000 to £89,999	11	1	-	£140,000 to £144,999	-	-
1	£90,000 to £94,999	1	-	-	£145,000 to £149,999	1	-
1	£95,000 to £99,999	1	-	-	£150,000 to £154,999	-	-
-	£100,000 to £104,999	1	-	1	£155,000 to £159,999	-	-
				<b>217</b>		<b>251</b>	<b>5</b>

Of the 5 employees who left during the year, 1 would not have appeared in this note if costs associated with redundancy or early retirement payments received were excluded.

## 8. Exit Packages

The Council has agreed a number of exit packages in 2017-2018 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:

	2016-2017	2017-2018
Future Life expectancy at age 65 – males	24.8 years	23.4 years
Future Life expectancy at age 65 – females	26.2 years	25.8 years
Pension increase rate	2.4%	2.4%
Discount Rate	2.6%	2.7%

2016-2017		Exit package cost	2017-2018	
Number of departures agreed	Total projected cost of exit packages in each band £m		Number of departures agreed	Total projected cost of exit packages in each band £m
1	0.012	£0 - £20,000	22	0.190
1	0.028	£20,001 - £40,000	9	0.260
-	-	£40,001 - £60,000	9	0.460
1	0.060	£60,001 - £80,000	11	0.703
-	-	£80,001 - £100,000	7	0.643
3	0.406	£100,001 - £150,000	13	1.591
3	0.473	£150,001 - £200,000	4	0.663
2	0.415	£200,001 - £250,000	8	1.733
-	-	£250,001 - £300,000	-	-
-	-	£300,001 - £350,000	-	-
-	-	£350,001 - £400,000	-	-
-	-	£400,001 - £450,000	-	-
<b>11</b>	<b>1.394</b>	<b>Total *</b>	<b>83</b>	<b>6.243</b>

\* Of the 83 departures agreed, 24 individuals will leave the Council during 2018-19. The remainder left in 2017-18.

## 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

2017-2018	
Number of employees who were relevant union officials during	56
<b>FTE employee number</b>	<b>54.48</b>

### Percentage of pay bill spent on facility time

2017-2018	
Total cost of facility time	619,181
Total pay bill	229,736,426
Percentage of the total pay bill spent on facility time	0.27%

### Percentage of time spent on facility time

2017-2018	
% time	Number of representatives
0%	-
1% - 50%	50.00
51% - 99%	3.00
1.000	3.00

### Paid Trade Union activities

2017-2018	
Time spent on paid TU activities as a percentage of total paid facility time hours	36.71%

**Cllr Iain Nicolson**  
Leader of the Council  
27 September 2018

**Sandra Black**  
Chief Executive  
27 September 2018

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

The Authority is required:

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

**Cllr Iain Nicolson**

Leader of the Council

27 September 2018

### **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 proper 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 2018.

**Alan Russell CPFA**

Director of Finance and Resources

27 September 2018

### **Independent auditor's report to the members of Renfrewshire Council and the Accounts Commission**

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 approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **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 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Movement in Reserves Statements, Comprehensive Income and Expenditure 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 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 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 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 2017/18 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)). 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 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. 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 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.

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 the 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 achieve 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 site [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.

David McConnell MA CPFA  
Audit Director  
Audit Scotland  
4th Floor, South Suite  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2018

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 **comprehensive income and expenditure statement**. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax-setting and dwellings rent-setting 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.

	Note	Usable reserves					Total usable reserves	Unusable reserves	Total reserves
		General Fund Balance	Housing Revenue Account	Revenue statutory funds	Capital Receipts Reserve	Capital statutory funds			
		£m	£m	£m	£m	£m			
<b>Balance at 31 March 2016 carried forward</b>		<b>61.378</b>	<b>10.239</b>	<b>2.855</b>	<b>4.116</b>	<b>62.788</b>	<b>141.376</b>	<b>653.401</b>	<b>794.777</b>
<i>Movement in reserves during 2016-2017:</i>									
Surplus or (deficit) on the provision of services		13.330	(12.564)	-	-	-	0.766	-	0.766
Other comprehensive income and expenditure		-	-	-	-	-	-	(47.764)	(47.764)
<b>Total comprehensive income and expenditure</b>		<b>13.330</b>	<b>(12.564)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.766</b>	<b>(47.764)</b>	<b>(46.998)</b>
Adjustments between accounting basis and funding basis under regulations	6	6.555	12.136	-	3.515	(13.816)	8.390	(8.390)	-
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>19.885</b>	<b>(0.428)</b>	<b>-</b>	<b>3.515</b>	<b>(13.816)</b>	<b>9.156</b>	<b>(56.154)</b>	<b>(46.998)</b>
Transfers to or (from) other statutory reserves	7	(32.537)	-	0.002	-	32.536	0.001	-	0.001
<b>Increase or (decrease) in 2016-2017</b>		<b>(12.652)</b>	<b>(0.428)</b>	<b>0.002</b>	<b>3.515</b>	<b>18.720</b>	<b>9.157</b>	<b>(56.154)</b>	<b>(46.997)</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>48.726</b>	<b>9.811</b>	<b>2.857</b>	<b>7.631</b>	<b>81.508</b>	<b>150.533</b>	<b>597.247</b>	<b>747.780</b>
<i>Movement in reserves during 2017-2018:</i>									
Surplus or (deficit) on the provision of services		(21.321)	(11.179)	-	-	-	(32.500)	-	(32.500)
Other comprehensive income and expenditure		-	-	-	-	-	-	292.271	292.271
<b>Total comprehensive income and expenditure</b>		<b>(21.321)</b>	<b>(11.179)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32.500)</b>	<b>292.271</b>	<b>259.771</b>
Adjustments between accounting basis and funding basis under regulations	6	25.030	8.175	-	(0.014)	(1.817)	31.374	(31.374)	-
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>3.709</b>	<b>(3.004)</b>	<b>-</b>	<b>(0.014)</b>	<b>(1.817)</b>	<b>(1.126)</b>	<b>260.897</b>	<b>259.771</b>
Transfers to or (from) other statutory reserves	7	(7.227)	-	0.001	-	7.226	-	-	-
<b>Increase or (decrease) in 2017-2018</b>		<b>(3.518)</b>	<b>(3.004)</b>	<b>0.001</b>	<b>(0.014)</b>	<b>5.409</b>	<b>(1.126)</b>	<b>260.897</b>	<b>259.771</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>45.208</b>	<b>6.807</b>	<b>2.858</b>	<b>7.617</b>	<b>86.917</b>	<b>149.407</b>	<b>858.144</b>	<b>1007.551</b>

## Annual Accounts 2017-2018 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**.

2016-2017				2017-2018		
Gross expenditure	Gross income	Net expenditure		Gross expenditure	Gross income	Net expenditure
£m	£m	£m	Note	£m	£m	£m
201.416	(26.962)	174.454	Children's Services	226.798	(39.675)	187.123
77.629	(17.314)	60.315	Environment & Communities	81.895	(17.213)	64.682
85.614	(73.062)	12.552	Development & Housing Services	85.512	(70.878)	14.634
55.774	(48.307)	7.467	Housing services - Housing Revenue Account	55.290	(47.903)	7.387
47.257	(10.135)	37.122	Finance & Resources	51.400	(10.325)	41.075
7.248	(0.351)	6.897	Chief Executive's Service	7.087	(0.943)	6.144
8.894	(12.419)	(3.525)	Other Services	15.442	(15.152)	0.290
12.345	(0.566)	11.779	Leisure Services	15.899	(0.468)	15.431
172.564	(110.274)	62.290	Adult Services	187.655	(119.157)	68.498
<b>668.741</b>	<b>(299.390)</b>	<b>369.351</b>	<b>Net cost of services</b>	<b>726.978</b>	<b>(321.714)</b>	<b>405.264</b>
			Other operating expenditure:			
		0.623	(Gains) or losses on the disposal of non-current assets			1.189
		25.675	Financing and investment income and expenditure	3		26.932
		(396.415)	Taxation and non-specific grant income	5		(400.885)
		<b>(0.766)</b>	<b>(Surplus) or deficit on the provision of services</b>			<b>32.500</b>
		(62.783)	(Surplus) or deficit on the revaluation of non-current assets	8(i)		(91.530)
		(0.261)	(Surplus) or deficit on the revaluation of available-for-sale financial assets	8(ii)		0.047
		110.808	Actuarial (gains) or losses on pension assets and liabilities	31(ii)		(200.788)
		<b>47.764</b>	<b>Other comprehensive income and expenditure</b>			<b>(292.271)</b>
		<b>46.998</b>	<b>Total comprehensive income and expenditure</b>			<b>(259.771)</b>

The **balance sheet** shows the value as at 31 March 2018 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 those 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 timing differences shown as 'adjustments between accounting basis and funding basis under regulations' in the **movement in reserves statement**.

31 March 2017			31 March 2018	
£m		Note	£m	
1,262.089	Property, plant and equipment	9	1,346.473	
1.622	Investment property	10	1.587	
38.977	Heritage assets	11	39.303	
0.651	Intangible assets	13	0.405	
3.479	Long-term investments	23	10.531	
3.078	Long-term debtors	19	2.492	
<b>1,309.896</b>	<b>Long-term assets</b>		<b>1,400.791</b>	
94.379	Short-term investments	23	91.238	
0.563	Inventories	17	0.757	
0.588	Short-term Intangible Assets	18	0.266	
47.545	Short-term debtors	19	57.735	
37.632	Cash and cash equivalents	20	12.953	
0.988	Short-term assets held for sale	12	0.251	
<b>181.695</b>	<b>Current assets</b>		<b>163.200</b>	
(80.431)	Short-term borrowing	23	(48.413)	
(63.641)	Short-term creditors	21	(68.388)	
(7.223)	Short-term provisions	22	(7.417)	
<b>(151.295)</b>	<b>Current liabilities</b>		<b>(124.218)</b>	
(175.197)	Long-term borrowing	23	(192.055)	
(77.181)	Long-term creditors	21	(74.275)	
(5.248)	Long-term provisions	22	(5.426)	
(334.890)	Other long-term liabilities	31(vi)	(160.466)	
<b>(592.516)</b>	<b>Long-term liabilities</b>		<b>(432.222)</b>	
<b>747.780</b>	<b>Net assets</b>		<b>1,007.551</b>	
150.533	Usable reserves	7	149.407	
597.247	Unusable reserves	8	858.144	
<b>747.780</b>	<b>Total reserves</b>		<b>1,007.551</b>	

The unaudited accounts were issued on 28 June 2018 and the audited accounts were authorised for issue on 27 September 2018.

Balance Sheet signed by:

**Alan Russell CPFA**

Director of Finance and Resources

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.

2016-2017			2017-2018	
£m		Note	£m	
(0.766)	Net (surplus) or deficit on the provision of services		32.500	
(59.973)	Adjust net surplus or deficit on the provision of services for non-cash movements	25a	(87.186)	
26.173	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		24.163	
<b>(34.566)</b>	<b>Net cash flows from operating activities</b>		<b>(30.523)</b>	
59.521	Net cash flows from investing activities	25b	37.337	
(23.191)	Net cash flows from financing activities	25c	17.865	
<b>1.764</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>24.679</b>	
(39.396)	Cash and cash equivalents at the beginning of the reporting period	20	(37.632)	
<b>(37.632)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(12.953)</b>	

## 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 **Comprehensive Income and Expenditure Statement**.

2016-2017				2017-2018		
Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis	Net expenditure in the comprehensive income and expenditure statement		Net expenditure chargeable to the General Fund and HRA Balances	Adjustments between the funding and accounting basis	Net expenditure in the comprehensive income and expenditure statement
(Note 1a)				(Note 1a)		
£m	£m	£m		£m	£m	£m
162.104	12.350	174.454	Children's Services	160.569	26.554	187.123
51.088	9.227	60.315	Environment & Communities	52.149	12.533	64.682
14.059	(1.507)	12.552	Development & Housing Services	14.734	(0.100)	14.634
0.428	7.039	7.467	Housing services - Housing Revenue Account	3.004	4.383	7.387
32.905	4.217	37.122	Finance & Resources	36.906	4.169	41.075
6.897	-	6.897	Chief Executive's Service	6.278	(0.134)	6.144
48.585	(52.110)	(3.525)	Other Services	32.786	(32.496)	0.290
9.204	2.575	11.779	Leisure Services	9.696	5.735	15.431
60.824	1.466	62.290	Adult Services	63.697	4.801	68.498
<b>386.094</b>	<b>(16.743)</b>	<b>369.351</b>	<b>Net cost of services</b>	<b>379.819</b>	<b>25.445</b>	<b>405.264</b>
(373.014)	2.897	(370.117)	Other income and expenditure	(373.297)	0.533	(372.764)
<b>13.080</b>	<b>(13.846)</b>	<b>(0.766)</b>	<b>(Surplus) or deficit</b>	<b>6.522</b>	<b>25.978</b>	<b>32.500</b>
71.617			Opening general fund and HRA balance	58.537		
(13.080)			Less/plus surplus or (deficit) on general fund and HRA balance in year	(6.522)		
<b>58.537</b>			<b>Closing general fund and HRA balance at 31 March *</b>	<b>52.015</b>		

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

### 1a. Adjustments between funding and accounting basis

This table provides further analysis on the adjustments between funding and accounting basis in the **expenditure and funding analysis** which shows how net service expenditure allocated for decision making purposes is reconciled to the net expenditure accounted for under generally accepted accounting practices presented in the **comprehensive income and expenditure statement**.

2017-2018

	Adjustments between funding and accounting basis			
	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total Adjustments
	(Note i)	(Note ii)	(Note iii)	
	£m	£m	£m	£m
Children's Services	19.306	6.991	0.257	26.554
Environment & Communities	8.719	3.845	(0.031)	12.533
Development & Housing Services	(1.425)	1.340	(0.015)	(0.100)
Housing services - Housing Revenue Account	8.436	1.332	(5.385)	4.383
Finance & Resources	4.093	-	0.076	4.169
Chief Executive's Service	(0.135)	-	0.001	(0.134)
Other Services	(11.156)	(0.877)	(20.463)	(32.496)
Leisure Services	5.735	-	-	5.735
Adult Services	-	4.801	-	4.801
<b>Net cost of services</b>	<b>33.573</b>	<b>17.432</b>	<b>(25.560)</b>	<b>25.445</b>
Other income and expenditure from the expenditure and funding analysis	(26.456)	8.932	18.057	0.533
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services</b>	<b>7.117</b>	<b>26.364</b>	<b>(7.503)</b>	<b>25.978</b>

2016-2017

	Adjustments between funding and accounting basis			
	Adjustments for capital purposes	Net change for the pensions adjustments	Other differences	Total Adjustments
	(Note i)	(Note ii)	(Note iii)	
	£m	£m	£m	£m
Children's Services	10.129	2.484	(0.263)	12.350
Environment & Communities	8.013	1.395	(0.181)	9.227
Development & Housing Services	(1.920)	0.480	(0.067)	(1.507)
Housing services - Housing Revenue Account	12.329	0.530	(5.820)	7.039
Finance & Resources	4.141	-	0.076	4.217
Chief Executive's Service	-	-	-	-
Other Services	(5.392)	(2.674)	(44.044)	(52.110)
Leisure Services	2.575	-	-	2.575
Adult Services	(0.067)	1.653	(0.120)	1.466
<b>Net cost of services</b>	<b>29.808</b>	<b>3.868</b>	<b>(50.419)</b>	<b>(16.743)</b>
Other income and expenditure from the expenditure and funding analysis	(22.112)	7.512	17.497	2.897
<b>Difference between general fund surplus or deficit and comprehensive income and expenditure statement surplus or deficit on the provision of services</b>	<b>7.696</b>	<b>11.380</b>	<b>(32.922)</b>	<b>(13.846)</b>

Note 1a(i): 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.

Note 1a(ii): 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 comprehensive income and expenditure statement.

Note 1a(iii): Other differences – any other differences between those amounts debited or credited to the comprehensive income and expenditure account 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.

## Note 2 Expenditure and income analysed by nature

The authority's expenditure and income is analysed in this table.

2016-2017			2017-2018	
£m		Note	£m	
	<b>Expenditure</b>			
234.765	Employee benefits expenses		261.370	
376.503	Other service expenses		393.784	
57.473	Depreciation, amortisation, impairment		71.824	
28.339	Interest Payments	3	29.351	
0.623	(Gain)/Loss on the disposal of assets		1.189	
<b>697.703</b>	<b>Total expenditure</b>		<b>757.518</b>	
	<b>Income</b>			
(299.390)	Fees, charges and other service income		(321.714)	
(2.664)	Interest and investment income	3	(2.419)	
(163.942)	Income from council tax and non-domestic rates	5	(172.146)	
(232.473)	Government grants and contributions	5	(228.739)	
<b>(698.469)</b>	<b>Total income</b>		<b>(725.018)</b>	
<b>(0.766)</b>	<b>(Surplus) or deficit on the provision of services</b>		<b>32.500</b>	

## Note 3 Financing and investment income and expenditure

2016-2017			2017-2018	
£m		Note	£m	
20.827	Interest payable and similar charges		20.419	
7.512	Net interest on the net defined benefit liability		8.932	
(1.179)	Interest receivable and similar income		(0.993)	
(0.112)	Income and expenditure in relation to investment properties and changes in their fair values	10	(0.133)	
(1.373)	Net (surplus) or deficit on trading operations	26	(1.293)	
<b>25.675</b>	<b>Total financing and investment income and expenditure</b>		<b>26.932</b>	

#### Note 4 Grant income

The council credited the following grants, contributions and donations direct to services in the **comprehensive income and expenditure statement** during 2017-2018.

2016-2017		2017-2018	
£m		£m	
62.454	Housing benefit	60.135	
0.916	Housing benefit and council tax administration	0.844	
1.180	Private sector housing grant	0.925	
0.628	Education Maintenance Allowance	0.683	
0.023	Gaelic Education	0.022	
0.032	School Milk	0.026	
-	Pupil Equity Fund	4.248	
1.579	Other Education	4.249	
4.769	Childrens Services	4.003	
10.498	Adult Services	14.860	
0.331	Employability	0.547	
2.285	Other grants	1.674	
<b>84.695</b>	<b>Total credited to services</b>	<b>92.216</b>	

#### Note 5 Taxation and non-specific grant income

The council credited the following taxation and non-specific grant income to the **comprehensive income and expenditure statement** during 2017-2018.

2016-2017		2017-2018	
£m		£m	
(67.836)	Income from council tax and community charge	(73.238)	
(96.106)	Distribution from the national non-domestic rate pool	(98.908)	
(209.072)	General Revenue Grant from the Scottish Government	(201.151)	
(23.401)	Capital grants and contributions	(27.588)	
<b>(396.415)</b>	<b>Total taxation and non-specific grant income</b>	<b>(400.885)</b>	

#### 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.

2017-2018	Usable reserves				Unusable reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Statutory Funds	Capital Receipts Reserve	
	£m	£m	£m	£m	
<i>Adjustments primarily involving the Capital Adjustment Account:</i>					
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:					
Charges for depreciation and impairment of non-current assets	(42.316)	(29.239)	-	-	<b>71.555</b>
Amortisation of intangible assets	(0.269)	-	-	-	<b>0.269</b>
Capital grants and contributions applied	25.763	1.825	-	-	<b>(27.588)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the comprehensive income and expenditure statement	(1.102)	(0.057)	-	-	<b>1.159</b>
Insertion of items not debited or credited to the comprehensive income and expenditure statement:					
Statutory provision for the repayment of Loans Fund & Finance Lease principal	12.129	20.860	-	-	<b>(32.989)</b>
Capital expenditure charged against the General Fund and HRA Balances	5.288	-	1.817	-	<b>(7.105)</b>
<i>Adjustments primarily involving the Capital Receipts Reserve:</i>					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the comprehensive income and expenditure statement	-	-	-	(2.284)	<b>2.284</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	2.298	<b>(2.298)</b>
<i>Adjustment primarily involving the Financial Instruments Adjustment Account:</i>					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.260	0.229	-	-	<b>(0.489)</b>
<i>Adjustments primarily involving the Pension Reserve:</i>					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(46.868)	(3.334)	-	-	<b>50.202</b>
Employer's pension contributions and direct payments to pensioners payable in the year	22.382	1.456	-	-	<b>(23.838)</b>
<i>Adjustment primarily involving the Employee Statutory Adjustment Account:</i>					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.297)	0.085	-	-	<b>0.212</b>
<b>Total adjustments</b>	<b>(25.030)</b>	<b>(8.175)</b>	<b>1.817</b>	<b>0.014</b>	<b>31.374</b>

2016-2017	Usable reserves				Unusable reserves
	General Fund Balance	Housing Revenue Account Balance	Capital Statutory Funds	Capital Receipts Reserve	
	£m	£m	£m	£m	
<i>Adjustments primarily involving the Capital Adjustment Account:</i>					
Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:					
Charges for depreciation and impairment of non-current assets	(25.954)	(31.238)	-	-	<b>57.192</b>
Amortisation of intangible assets	(0.281)	-	-	-	<b>0.281</b>
Capital grants and contributions applied	22.509	0.892	-	-	<b>(23.401)</b>
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the comprehensive income and expenditure statement	(1.289)	0.666	-	-	<b>0.623</b>
Insertion of items not debited or credited to the comprehensive income and expenditure statement:					
Statutory provision for the repayment of Loans Fund & Finance Lease principal	5.862	16.855	6.774	-	<b>(29.491)</b>
Capital expenditure charged against the General Fund and HRA Balances	2.895	1.387	7.042	-	<b>(11.324)</b>
<i>Adjustments primarily involving the Capital Receipts Reserve:</i>					
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the comprehensive income and expenditure statement	-	-	-	(9.074)	<b>9.074</b>
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	-	5.559	<b>(5.559)</b>
<i>Adjustment primarily involving the Financial Instruments Adjustment Account:</i>					
Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements	0.220	0.263	-	-	<b>(0.483)</b>
<i>Adjustments primarily involving the Pension Reserve:</i>					
Reversal of items relating to retirement benefits debited or credited to the comprehensive income and expenditure statement	(29.899)	(2.334)	-	-	<b>32.233</b>
Employer's pension contributions and direct payments to pensioners payable in the year	19.528	1.325	-	-	<b>(20.853)</b>
<i>Adjustment primarily involving the Employee Statutory Adjustment Account:</i>					
Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(0.146)	0.048	-	-	<b>0.098</b>
<b>Total adjustments</b>	<b>(6.555)</b>	<b>(12.136)</b>	<b>13.816</b>	<b>(3.515)</b>	<b>8.390</b>

## 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.

31 March 2017		31 March 2018	
£m		£m	
48.726	General Fund Balance	45.208	
9.811	Housing Revenue Account Balance	6.807	
7.631	Capital Receipts Reserve	7.617	
84.365	Other Statutory Funds	89.775	
<b>150.533</b>	<b>Total usable reserves</b>	<b>149.407</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 2017-2018.

	2016-2017			2017-2018			
	Balance at 31 March 2016	Transfers out 2016-2017	Transfers in 2016-2017	Balance at 31 March 2017	Transfers out 2017-2018	Transfers in 2017-2018	Balance at 31 March 2018
	£m	£m	£m	£m	£m	£m	£m
Insurance Fund	2.543	-	-	2.543	-	-	2.543
Reservoir Repair Fund	0.312	-	0.002	0.314	-	0.001	0.315
<b>Revenue statutory funds</b>	<b>2.855</b>	<b>-</b>	<b>0.002</b>	<b>2.857</b>	<b>-</b>	<b>0.001</b>	<b>2.858</b>
Education Capital Items Fund	0.751	(0.081)	0.096	0.766	(0.220)	0.586	1.132
Investment Capital Fund	55.264	(7.042)	32.520	80.742	(4.320)	9.363	85.785
Housing Capital Fund	6.773	(6.773)	-	-	-	-	-
<b>Capital statutory funds</b>	<b>62.788</b>	<b>(13.896)</b>	<b>32.616</b>	<b>81.508</b>	<b>(4.540)</b>	<b>9.949</b>	<b>86.917</b>
<b>Total</b>	<b>65.643</b>	<b>(13.896)</b>	<b>32.618</b>	<b>84.365</b>	<b>(4.540)</b>	<b>9.950</b>	<b>89.775</b>

In addition to the capital statutory funds above the Capital Receipts Reserve is also a statutory fund. Detail of the movement in the Capital Receipts Reserve is shown in Note 6, but a summary of the movement is also shown below.

	2016-2017			2017-2018			
	Balance at 31 March 2016	Sale proceeds 2016-2017	Capital expenditure funded 2016-2017	Balance at 31 March 2017	Sale proceeds 2017-2018	Capital expenditure funded 2017-2018	Balance at 31 March 2018
	£m	£m	£m	£m	£m	£m	£m
Capital Receipts Reserve	4.116	9.074	(5.559)	7.631	2.284	(2.298)	7.617

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 2017-2018 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.

The Housing Capital Fund represents funding earmarked to assist in managing the associated debt costs of improving the standard of council housing. The cumulative balance of £6.773million as at 31 March 2016 was released in 2016-2017 for this purpose.

The Capital Receipts Reserve holds cash receipts from asset sales and is used to fund planned capital expenditure.

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

This note sets out the amounts within the General Fund Balance which the council has ring-fenced for future expenditure plans.

	2016-2017			2017-2018			
	Balance at	Transfers out	Transfers in	Balance at	Transfers out	Transfers in	Balance at
	31 March 2016	2016-2017	2016-2017	31 March 2017	2017-2018	2017-2018	31 March 2018
	£m	£m	£m	£m	£m	£m	£m
Service Modernisation and Reform Fund	6.176	(0.780)	0.015	5.411	(1.730)	-	3.681
Funding the future availability of the educational establishments to be replaced under the Public Private Partnership	12.670	-	-	12.670	-	-	12.670
M74 Fund	0.566	-	-	0.566	-	-	0.566
Development Contribution – Paisley Town Centre	1.120	(0.061)	-	1.059	-	-	1.059
Early Years Change Fund	3.321	(0.600)	-	2.721	(0.670)	0.410	2.461
Pupil Equity Fund	-	-	-	-	-	1.613	1.613
Waste Management Strategy	7.456	(3.211)	-	4.245	(2.462)	-	1.783
Invest in Renfrewshire	5.049	(2.199)	-	2.850	(2.453)	0.082	0.479
Community Safety	0.121	-	-	0.121	(0.090)	-	0.031
Private Sector Housing Grant	2.063	-	0.072	2.135	-	0.264	2.399
Tackling Poverty - Credit Union Support	0.340	-	-	0.340	(0.340)	-	-
Paisley Town Centre Heritage Asset Strategy	8.284	(2.672)	-	5.612	(2.417)	-	3.195
Culture Bid Legacy	-	-	-	-	-	1.531	1.531
City Deal	1.561	-	-	1.561	(0.080)	-	1.481
Renfrewshire Health & Social Care Partnership	-	-	-	-	-	1.656	1.656
Town Centre Public WiFi	-	-	-	-	-	0.503	0.503
Response to Commission on Tackling Poverty	3.649	(2.583)	-	1.066	(0.363)	-	0.703
Youth Employment Strategy	0.212	(0.130)	-	0.082	(0.082)	-	-
<i>Year end flexibility:</i>							
Childrens Services	1.747	(0.634)	0.100	1.213	(0.052)	-	1.161
Adult Services	0.030	(0.021)	-	0.009	(0.009)	0.010	0.010
<b>Total ring-fenced element of the General Fund Balance</b>	<b>54.365</b>	<b>(12.891)</b>	<b>0.187</b>	<b>41.661</b>	<b>(10.748)</b>	<b>6.069</b>	<b>36.982</b>
Additional Scottish Government Grant - related to 2018-19	-	-	-	-	-	1.132	1.132
Unallocated element of the General Fund Balance	7.013	-	0.052	7.065	(0.010)	0.039	7.094
<b>General Fund Balance</b>	<b>61.378</b>	<b>(12.891)</b>	<b>0.239</b>	<b>48.726</b>	<b>(10.758)</b>	<b>7.240</b>	<b>45.208</b>

The unallocated balance of £7.094 million is 1.8% of the Council's net annual running costs.

## Note 8 Unusable reserves

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

(i) 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 Available-for-sale Financial Instruments Reserve.

(ii) 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.

### Summary of unusable reserves

31 March 2017			31 March 2018	
£m		Note	£m	
395.818	Revaluation Reserve	(i)	471.731	
0.506	Available-for-sale Financial Instruments Reserve	(ii)	0.459	
556.829	Capital Adjustment Account	(iii)	567.159	
(13.904)	Financial Instruments Adjustment Account	(iv)	(13.415)	
(334.890)	Pension Reserve	(v)	(160.466)	
(7.112)	Employee Statutory Adjustment Account	(vi)	(7.324)	
<b>597.247</b>	<b>Total unusable reserves</b>		<b>858.144</b>	

### (i) Movement in the year: 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 (i) revalued downwards or impaired and the gains are lost, (ii) used in the provision of services and the gains are consumed through depreciation or (iii) 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.

2016-2017		2017-2018	
£m		£m	£m
<b>348.773</b>	<b>Balance at 1 April</b>		<b>395.818</b>
62.783	Upward/(downward) revaluation of non-current assets	91.530	
(11.515)	Difference between fair value depreciation and historic cost depreciation written off to the Capital Adjustment Account	(13.825)	
(4.223)	Accumulated gains or (losses) on disposal of non-current assets transferred to the Capital Adjustment Account	(1.792)	
<u>47.045</u>	Amount posted to the Capital Adjustment Account		<u>75.913</u>
<b>395.818</b>	<b>Balance at 31 March</b>		<b>471.731</b>

**(ii) Movement in the year: Available-for-sale Financial Instruments Reserve**

The Available-for-sale Financial Instruments Reserve contains the gains made by the council arising from increases in the value of its investments that have quoted market prices. The balance is reduced when investments with accumulated gains are (i) revalued downwards or impaired and the gains are lost or (ii) disposed of and the gains are realised.

2016-2017		2017-2018	
£m		£m	
<b>0.245</b>	<b>Balance at 1 April</b>		<b>0.506</b>
0.261	Upward/(downward) revaluation of investments	(0.047)	
<b>0.506</b>	<b>Balance at 31 March</b>		<b>0.459</b>

**(iii) Movement in the year: 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 **comprehensive income and expenditure statement** (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. Note 6 provides details of the source of all the transactions posted to the Capital Adjustment Account, apart from those involving the Revaluation Reserve.

2016-2017		2017-2018	
£m		£m	£m
538.486	<b>Balance at 1 April</b>		556.829
	<i>Reversal of items relating to capital expenditure debited or credited to the comprehensive income and expenditure statement:</i>		
(57.192)	Charges for depreciation, impairment and revaluation losses of non-current assets	(71.555)	
(0.281)	Amortisation of intangible assets	(0.269)	
	Revenue expenditure funded from capital under statute		
(9.074)	Non-current assets sale proceeds	(2.284)	
(0.623)	Gain or (loss) on disposal of non-current assets charged to the comprehensive income and expenditure statement	(1.159)	
(67.170)			(75.267)
15.738	Adjusting amounts written out of the Revaluation Reserve		15.617
(51.432)	Net written out amount of the cost of non-current assets consumed in the year		(59.650)
	<i>Capital financing applied in the year:</i>		
5.559	Use of the Capital Receipts Reserve to finance new capital expenditure	2.298	
23.401	Capital grants and contributions credited to the comprehensive income and expenditure statement that have been applied to capital financing	27.588	
29.491	Loans Fund and Finance Lease principal repayments	32.989	
11.324	Capital expenditure charged against the General Fund and Housing Revenue Account balances	7.105	
69.775			69.980
<b>556.829</b>	<b>Balance at 31 March</b>		<b>567.159</b>

**(iv) Movement in the year: 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:

(i) Manage premiums incurred on the early repayment of borrowings. Generally accepted accounting practices require that premiums are debited to the **comprehensive income and expenditure statement** 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 £17.630 million at 31 March 2007 and, under the statutory arrangements, these will be fully amortised to the General Fund Balance by financial year 2053-2054.

(ii) 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 **comprehensive income and expenditure statement** 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.

(iii) 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 **comprehensive income and expenditure statement** 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 £0.156 million 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.

2016-2017		2017-2018	
£m		£m	£m
(14.387)	Balance at 1 April		(13.904)
-	Premiums incurred in the year and charged to the comprehensive income and expenditure statement	-	
0.472	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0.472	
0.472			0.472
0.011	Amount by which finance costs charged to the comprehensive income and expenditure statement are different from finance costs chargeable in the year in accordance with statutory requirements or regulations		0.017
(13.904)	Balance at 31 March		(13.415)

#### (v) Movement in the year: 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 **comprehensive income and expenditure statement** as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the 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.

2016-2017		2017-2018	
£m		£m	
(212.702)	Balance at 1 April	(334.890)	
(110.808)	Actuarial gains or (losses) on pension assets and liabilities	200.788	
(32.233)	Reversal of items relating to retirement benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	(50.202)	
20.853	Employer's pension contributions payable in the year	23.838	
<b>(334.890)</b>	<b>Balance at 31 March</b>	<b>(160.466)</b>	

**(vi) Movement in the year: 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.

2016-2017		2017-2018	
£m		£m	£m
(7.014)	Balance at 1 April		(7.112)
7.014	Settlement or cancellation of accrual made at the end of the preceding year	7.112	
(7.112)	Amounts accrued at the end of the current year	(7.324)	
(0.098)	Amount by which officer remuneration charged to the comprehensive income and expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(0.212)
<b>(7.112)</b>	<b>Balance at 31 March</b>		<b>(7.324)</b>

## Note 9 Property, Plant and Equipment

2017-2018	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Assets under construction	Surplus assets	Total property, plant and equipment	Of which funded by PPP
	£m	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount at 1 April 2017	487.605	308.205	464.325	289.013	44.504	35.968	<b>1,629.620</b>	100.183
Assets reclassified (to) or from the "held for sale" category	0.145	-	-	-	-	-	<b>0.145</b>	-
Other asset reclassifications	-	11.104	24.461	-	(38.381)	2.816	-	-
Additions	6.192	7.828	12.872	9.113	31.432	-	<b>67.437</b>	1.082
Disposals	(0.409)	(2.364)	(4.788)	-	(0.105)	(0.080)	<b>(7.746)</b>	-
Revaluation increases or (decreases) recognised in other comprehensive income and expenditure and taken to the Revaluation Reserve	29.413	(17.727)	25.366	-	-	(8.704)	<b>28.348</b>	-
Revaluation increases or (decreases) recognised in the surplus or deficit on the provision of services	-	(19.836)	(4.790)	-	-	(1.537)	<b>(26.163)</b>	-
<b>Gross carrying amount at 31 March 2018</b>	<b>522.946</b>	<b>287.210</b>	<b>517.446</b>	<b>298.126</b>	<b>37.450</b>	<b>28.463</b>	<b>1,691.641</b>	<b>101.265</b>
Accumulated depreciation (including accumulated impairment losses) at 1 April 2017	0.000	44.323	181.792	129.602	-	11.814	<b>367.531</b>	4.482
Assets reclassified (to) or from the "held for sale" category	0.005	-	-	-	-	-	<b>0.005</b>	-
Depreciation on other reclassifications	-	(0.229)	(0.882)	-	-	1.111	-	-
Depreciation charge for the year	16.254	6.668	33.061	5.983	-	0.107	<b>62.073</b>	3.601
Depreciation and impairment on disposals	(0.018)	(0.966)	(3.846)	-	-	(0.074)	<b>(4.904)</b>	-
Depreciation written out to the Revaluation Reserve	(16.241)	(21.029)	(17.762)	-	-	(7.824)	<b>(62.856)</b>	-
Depreciation written out to the surplus or deficit on the provision of services	-	(11.637)	(4.160)	-	-	(0.884)	<b>(16.681)</b>	-
Impairment losses recognised or reversed in other comprehensive income and expenditure and taken to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses recognised in the surplus or deficit on the provision of services	-	-	-	-	-	-	-	-
<b>Accumulated depreciation (including accumulated impairment losses) at 31 March 2018</b>	<b>-</b>	<b>17.130</b>	<b>188.203</b>	<b>135.585</b>	<b>-</b>	<b>4.250</b>	<b>345.168</b>	<b>8.083</b>
<b>Balance sheet net carrying amount at 31 March 2018</b>	<b>522.946</b>	<b>270.080</b>	<b>329.243</b>	<b>162.541</b>	<b>37.450</b>	<b>24.213</b>	<b>1,346.473</b>	<b>93.182</b>
<b>Balance sheet net carrying amount at 1 April 2017</b>	<b>487.605</b>	<b>263.882</b>	<b>282.533</b>	<b>159.411</b>	<b>44.504</b>	<b>24.154</b>	<b>1,262.089</b>	<b>95.701</b>

2016-2017	Council dwellings (Note 14a)	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Assets under construction	Surplus assets	Total property, plant and equipment	Of which funded by PPP
	£m	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount at 1 April 2016	471.202	303.972	442.579	276.438	15.028	37.471	<b>1,546.690</b>	87.335
Assets reclassified (to) or from the "held for sale" category	(0.723)	-	-	-	-	(0.218)	<b>(0.941)</b>	-
Other asset reclassifications	-	(0.873)	2.601	0.373	(1.977)	0.094	<b>0.218</b>	-
Additions	3.602	2.958	10.450	12.202	32.422	-	<b>61.634</b>	1.059
Disposals	(5.470)	(1.737)	(1.952)	-	(0.969)	(1.519)	<b>(11.647)</b>	-
Revaluation increases or (decreases) recognised in other comprehensive income and expenditure and taken to the Revaluation Reserve	18.994	1.090	11.474	-	-	0.184	<b>31.742</b>	8.049
Revaluation increases or (decreases) recognised in the surplus or deficit on the provision of services	-	2.795	(0.827)	-	-	(0.044)	<b>1.924</b>	3.740
<b>Gross carrying amount at 31 March 2017</b>	<b>487.605</b>	<b>308.205</b>	<b>464.325</b>	<b>289.013</b>	<b>44.504</b>	<b>35.968</b>	<b>1,629.620</b>	<b>100.183</b>
Accumulated depreciation (including accumulated impairment losses) at 1 April 2016	0.000	43.749	162.848	123.938	-	11.685	<b>342.220</b>	9.771
Assets reclassified (to) or from the "held for sale" category	(0.024)	-	-	-	-	-	<b>(0.024)</b>	-
Depreciation on other reclassifications	-	(0.320)	0.312	-	-	0.008	-	-
Depreciation charge for the year	15.707	6.327	34.773	5.664	-	0.126	<b>62.597</b>	3.192
Depreciation and impairment on disposals	(0.182)	(0.486)	(1.932)	-	-	(0.023)	<b>(2.623)</b>	-
Depreciation written out to the Revaluation Reserve	(15.501)	(2.202)	(13.436)	-	-	(0.016)	<b>(31.155)</b>	(6.791)
Depreciation written out to the surplus or deficit on the provision of services	-	(2.531)	(0.510)	-	-	(0.017)	<b>(3.058)</b>	(1.690)
Impairment losses recognised or reversed in other comprehensive income and expenditure and taken to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses recognised in the surplus or deficit on the provision of services	-	(0.214)	(0.263)	-	-	0.051	<b>(0.426)</b>	-
<b>Accumulated depreciation (including accumulated impairment losses) at 31 March 2017</b>	<b>0.000</b>	<b>44.323</b>	<b>181.792</b>	<b>129.602</b>	<b>-</b>	<b>11.814</b>	<b>367.531</b>	<b>4.482</b>
<b>Balance sheet net carrying amount at 31 March 2017</b>	<b>487.605</b>	<b>263.882</b>	<b>282.533</b>	<b>159.411</b>	<b>44.504</b>	<b>24.154</b>	<b>1,262.089</b>	<b>95.701</b>
<b>Balance sheet net carrying amount at 1 April 2016</b>	<b>471.202</b>	<b>260.223</b>	<b>279.731</b>	<b>152.500</b>	<b>15.028</b>	<b>25.786</b>	<b>1,204.470</b>	<b>77.564</b>

## 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 **comprehensive income and expenditure statement**:

2016-2017		2017-2018	
£m		£m	
(0.112)	Rental income from investment property	(0.168)	
(0.112)	<b>Net (gain) or loss</b>	(0.168)	

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:

2016-2017		2017-2018	
£m		£m	
1.957	<b>Opening balance at 1 April</b>	1.622	
(0.218)	Asset Reclassification	-	
(0.117)	Net gains or (losses) from fair value adjustments	(0.035)	
1.622	<b>Closing balance at 31 March</b>	1.587	

### Fair Value Hierarchy

Detail of the authority’s investment properties and information about the fair value hierarchy as at 31 March 2018 are as follows:

	Quoted Prices in active markets for identical Assets (level 1)	Other significant observable inputs (level 2)	Other significant unobservable inputs (level 3)	Fair Value as at 31 March 2018
	£m	£m	£m	£m
Commercial Units	-	0.410	-	0.410
Office Units	-	0.060	-	0.060
Commercial Sites	-	0.957	-	0.957
Other	-	0.160	-	0.160
<b>Total</b>	-	<b>1.587</b>	-	<b>1.587</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. 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 are significant, leading to the properties being categorised at level 2 in the fair value hierarchy.

## Note 11 Heritage Assets

The movement in the fair value of heritage assets is as follows:

2016-2017		2017-2018	
£m		£m	
38.977	Opening balance at 1 April	38.977	
-	Revaluations	0.326	
38.977	Closing balance at 31 March	39.303	

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.

A summary of transactions over the previous 5 years is shown below:

	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
	£m	£m	£m	£m	£m
Acquisitions	0.252	0.316	-	-	-
Donations	-	-	-	-	-
Disposals	-	-	-	-	-
Revaluations	-	-	-	-	0.326

## Note 12 Assets held for sale

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

2016-2017		2017-2018	
£m		£m	
0.744	Opening balance at 1 April	0.988	
Assets classified to/from "held for sale":			
0.699	Council Dwellings	(0.140)	
0.218	Other Land and Buildings	-	
(0.673)	Assets sold	(0.597)	
0.988	Closing balance at 31 March	0.251	

### Note 13 Intangible assets

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:

2016-2017		2017-2018	
Purchased software licences		Purchased software licences	
£m		£m	
<i>Balances at start of year:</i>			
2.976	Gross carrying amount	1.358	
(2.147)	Accumulated amortisation	(0.707)	
<b>0.829</b>	<b>Net carrying amount at start of year</b>	<b>0.651</b>	
0.103	Additions: purchases	0.026	
(1.721)	Disposals	(0.351)	
1.721	Accumulated amortisation derecognised on disposal	0.348	
(0.281)	Amortisation for the year	(0.269)	
<b>0.651</b>	<b>Net carrying amount at end of year</b>	<b>0.405</b>	
<i>...comprising:</i>			
1.358	Gross carrying amount	1.033	
(0.707)	Accumulated amortisation	(0.628)	
<b>0.651</b>	<b>Net carrying amount at end of year</b>	<b>0.405</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 2017-2018 total spending on capital projects was £67.463 million (£61.737 million in 2016-2017) and was within the overall prudential limits approved by Council. £2.298 million (£5.559 million in 2016-2017) of capital receipts were used to fund spending on capital projects.

The net capital expenditure for the year of £30.472 million (£21.543 million in 2016-2017) was financed from external borrowing and from cash balances. The table below shows the total amount of capital expenditure incurred in the year, and the resources used to finance this 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.

2016-2017		2017-2018
£m		£m
<b>357.925</b>	<b>Opening Capital Financing Requirement</b>	<b>349.937</b>
	<i>Capital investment:</i>	
61.634	Property, plant and equipment	67.437
0.103	Intangible assets	0.026
-	Heritage Assets	-
	<i>Sources of finance:</i>	
(4.114)	Capital receipts – sale of council houses	(1.469)
(1.445)	Capital receipts – sale of other council assets	(0.829)
(23.401)	Government grants and other contributions	(27.588)
(11.324)	Sums set aside from revenue – direct revenue contributions	(7.105)
(29.441)	Loans Fund/Finance Lease principal repayments	(32.938)
<b>349.937</b>	<b>Closing Capital Financing Requirement</b>	<b>347.471</b>
	<i>Explanation of movements during the year</i>	
(5.383)	Increase/(decrease) in underlying need to borrow (unsupported by government financial assistance)	0.239
(2.604)	Increase/(decrease) in PPP finance lease creditor	(2.705)
<b>(7.987)</b>	<b>Increase or (decrease) in Capital Financing Requirement during the year</b>	<b>(2.466)</b>

At 31 March 2018 the Council had commitments on capital contracts for non-housing projects of £24.560 million (£33.570 million in 2016-2017) and for housing projects of £18.542 million (£5.850 million in 2016-2017). 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	Liability Repayment	Interest Repayment	Contingent Rentals	Total
	£m	£m	£m	£m	£m
Payable within 1 year	4.946	2.904	5.741	3.403	16.994
Payable within 2-5 years	23.710	10.924	20.890	15.336	70.860
Payable within 6-10 years	34.437	15.636	21.196	24.155	95.424
Payable within 11-15 years	34.791	22.214	14.478	32.163	103.646
Payable within 16-20 years	41.546	25.498	5.130	34.069	106.243
<b>Total</b>	<b>139.430</b>	<b>77.176</b>	<b>67.435</b>	<b>109.126</b>	<b>393.167</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:

2016-2017		2017-2018	
£m		£m	
82.487	Balance outstanding at 1 April	79.883	
2.604	Payments during the year	2.705	
<b>79.883</b>	<b>Balance outstanding at 31 March</b>	<b>77.178</b>	

## Note 16 Leases

### Renfrewshire Council as Lessee

#### Operating Leases

The Council has acquired 18 properties by entering into operating leases, with average lives of 21 years. The future minimum lease payments due under non-cancellable leases in future years are:

31 March 2017		31 March 2018	
£m		£m	
0.810	Not later than one year	0.693	
2.232	Later than one year and not later than five years	1.990	
4.273	Later than five years	3.763	
<b>7.315</b>		<b>6.446</b>	

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2016-2017		2017-2018	
£m		£m	
0.819	Minimum lease payments	0.801	
<b>0.819</b>		<b>0.801</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:

31 March 2017		31 March 2018
£m		£m
0.252	Not later than one year	0.267
0.777	Later than one year and not later than five years	0.782
7.625	Later than five years	6.941
<b>8.654</b>		<b>7.990</b>

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

### Note 17 Inventories

2016-2017		2017-2018
Consumable Stores £m		Consumable Stores £m
0.768	Carrying amount at 1 April	0.563
6.295	Additions during the year	6.497
(6.367)	Recognised as an expense during the year: inventories sold, exchanged or distributed	(6.305)
(0.108)	Recognised as an expense during the year: inventories written down	(0.008)
(0.025)	Reversals during the year of previous inventory write-downs	0.010
<b>0.563</b>	<b>Carrying amount at 31 March</b>	<b>0.757</b>

### Note 18 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.

2016-2017		2017-18
CRC Allowances £m		CRC Allowances £m
<b>0.468</b>	<b>Net carrying amount at start of year</b>	<b>0.588</b>
0.886	Additions: purchases	-
(0.766)	Disposals	(0.322)
<b>0.588</b>	<b>Net carrying amount at end of year</b>	<b>0.266</b>

## Note 19 Debtors

31 March 2017			31 March 2018			
Short Term	Long Term		Short Term		Long Term	
£m	£m		£m	£m	£m	£m
16.791	1.530	Central government bodies, excluding NHS Scotland		25.289		1.440
4.886	-	Central government bodies: NHS Scotland		3.438		-
0.356	-	Other local authorities		0.577		-
5.785	-	HM Revenue and Customs		5.092		-
		<i>Other entities and individuals:</i>				
10.888	-	Council tax arrears	12.689		-	-
(6.143)	-	Council tax arrears impairment	(6.915)		-	-
4.745	-	Council tax arrears net of impairment		5.774		-
2.244	-	Rent arrears	2.547		-	-
(1.472)	-	Rent arrears impairment	(1.497)		-	-
0.772	-	Rent arrears net of impairment		1.050		-
22.158	3.620	Trade debtors	25.022		2.604	
(9.709)	(3.511)	Trade debtors impairment	(10.139)		(2.582)	
12.449	0.109	Trade debtors net of impairment		14.883		0.022
1.761	5.485	Other debtors	1.632		5.762	
-	(4.046)	Other debtors impairment	-		(4.732)	
1.761	1.439	Other debtors net of impairment		1.632		1.030
<b>47.545</b>	<b>3.078</b>	<b>Total debtors</b>		<b>57.735</b>		<b>2.492</b>

## 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.

31 March 2017			31 March 2018	
£m			£m	
(1.656)		Current account balances with the council's banker	(1.116)	
0.023		Collection account balances not with the council's banker	-	
28.763		Callable deposits with UK banks	2.426	
0.001		Callable deposits with non UK banks	-	
10.452		Callable deposits in money market funds	11.593	
0.049		Imprest accounts held at council establishments	0.050	
<b>37.632</b>		<b>Total cash and cash equivalents</b>	<b>12.953</b>	

## Note 21 Creditors

The analysis below details the main creditor balances.

31 March 2017			31 March 2018	
Short Term	Long Term		Short Term	Long Term
£m	£m		£m	£m
3.669	-	Central government bodies, excluding NHS Scotland	3.738	-
3.709	-	Central government bodies: NHS Scotland	2.771	-
0.485	-	Other local authorities	0.399	-
6.766	-	HM Revenue and Customs	6.888	-
5.721	-	Strathclyde Pension Fund and SPPA	6.196	-
5.866	-	Accrued payrolls	8.156	-
2.705	77.178	PPP finance lease creditor	2.904	74.274
-	-	Other finance lease creditor	-	-
-	0.003	Financial guarantees	-	0.001
34.720	-	Other entities and individuals	37.336	-
<b>63.641</b>	<b>77.181</b>	<b>Total creditors</b>	<b>68.388</b>	<b>74.275</b>

## 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.

There are two classes of provision – short and long term. The accrual associated with short-term accumulating compensated absence is classed as a short term provision and is matched by the Employee Statutory Adjustment Account (an unusable reserve – Note 8(vi)). The accrual associated with teacher's maternity pay is also a short term provision. This provision has been made to reflect the changes in European legislation that allow teachers to accrue all holidays during maternity leave.

The movement in these short term provisions is detailed below:

2016-2017				2017-2018		
Short term accumulating compensated absence	Teachers' maternity pay	Total		Short term accumulating compensated absence	Teachers' maternity pay	Total
£m	£m	£m		£m	£m	£m
7.015	0.085	7.100	Balance at 1 April	7.112	0.111	7.223
7.112	0.111	7.223	Additional provisions and increases to existing provisions	7.324	0.093	7.417
(7.015)	(0.085)	(7.100)	Reversal of existing provisions	(7.112)	(0.111)	(7.223)
<b>7.112</b>	<b>0.111</b>	<b>7.223</b>	<b>Balance at 31 March</b>	<b>7.324</b>	<b>0.093</b>	<b>7.417</b>

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:

	2017-2018			Total
	Holiday pay compensation payments	Insurance claims	Other	
	£m	£m	£m	
Balance at 1 April 2017	0.789	3.239	1.220	5.248
Additional provisions and increases/ (decreases) to existing provisions made during the year	(0.174)	1.321	-	1.147
Amounts used during the year	(0.024)	(0.945)	-	(0.969)
<b>Balance at 31 March 2018</b>	<b>0.591</b>	<b>3.615</b>	<b>1.220</b>	<b>5.426</b>

### 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 outstanding and potential claims.

### 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 £1.321 million on the basis of information held by the Council and notified by Glasgow City Council, the coordinating authority for the former Strathclyde Regional Council.

### Other

The council has received a number of claims in relation to construction projects. Although the claims are disputed, a provision has been made at a prudent level to reflect potential settlements. All other provisions are individually insignificant.

## 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**. (Those financial instruments that are classified as cash and cash equivalents are not included in this table – see Note 20 for details of these.)

31 March 2017			31 March 2018	
Long-term	Current		Long-term	Current
£m	£m		£m	£m
-	94.379	Loans and receivables - fixed term deposits	7.000	91.238
3.479	-	Available-for-sale financial assets - insurance fund investments	3.531	-
<b>3.479</b>	<b>94.379</b>	<b>Investments</b>	<b>10.531</b>	<b>91.238</b>
1.219	0.141	Loans and receivables - loans to other entities and individuals	1.118	0.925
1.859	42.659	Loans and receivables - trade receivables	1.374	51.037
<b>3.078</b>	<b>42.800</b>	<b>Debtors</b>	<b>2.492</b>	<b>51.962</b>
(175.197)	(14.049)	Financial liabilities at amortised cost - Public Works Loan Board borrowing	(171.674)	(6.315)
-	(54.745)	Financial liabilities at amortised cost - Non-PWLB borrowing ("market debt")	(20.381)	(34.355)
-	(11.637)	Financial liabilities at amortised cost - borrowing from group entities	-	(7.743)
<b>(175.197)</b>	<b>(80.431)</b>	<b>Borrowing</b>	<b>(192.055)</b>	<b>(48.413)</b>
-	(42.583)	Financial liabilities at amortised cost - trade payables	-	(44.243)
(77.178)	(2.705)	PFI/PPP and finance lease liabilities	(74.274)	(2.904)
(0.003)	-	Financial guarantees	(0.001)	-
<b>(77.181)</b>	<b>(45.288)</b>	<b>Creditors</b>	<b>(74.275)</b>	<b>(47.147)</b>

Loans to other entities and individuals comprise a loan to Park Lane Developments (Renfrewshire) LLP of £0.275 million (2016-2017 £0.275 million), short term advance to Renfrewshire Leisure Limited of £0.796 million, home loans of £0.919 million (2016-2017 £1.033 million), soft loans to service users of £0.029 million (2016-2017 £0.029 million) and soft loans to employees of £0.024 million (2016-2017 £0.023 million).

#### Fair value of financial instruments

When financial instruments are initially recognised they are measured at fair value (less any material transaction costs), fair value being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. Subsequent to initial recognition, the balance sheet measurement method for a financial instrument depends on its classification, and the fair value will, for some financial instruments, diverge from the balance sheet carrying amount:

(i) Subsequent to initial recognition, available-for-sale financial assets continue to be carried in the balance sheet at fair value.

(ii) Subsequent to initial recognition, loans and receivables and financial liabilities at amortised cost are carried in the balance sheet at amortised cost, using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

In terms of the fair value measurement hierarchy the financial instruments measured at fair value are considered Level 2 being quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

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

31 March 2017			31 March 2018	
Balance sheet carrying amount	Fair value		Balance sheet carrying amount	Fair value
£m	£m		£m	£m
94.379	94.426	Loans and receivables - fixed term deposits	98.238	98.179
3.479	3.479	Available-for-sale financial assets - insurance fund investments	3.531	3.531
<b>97.858</b>	<b>97.905</b>	<b>Investments</b>	<b>101.769</b>	<b>101.710</b>
1.360	1.396	Loans and receivables - loans to other entities and individuals	2.043	2.077
44.518	44.522	Loans and receivables - trade receivables	52.411	52.415
<b>45.878</b>	<b>45.918</b>	<b>Debtors</b>	<b>54.454</b>	<b>54.492</b>
(189.246)	(280.746)	Financial liabilities at amortised cost - Public Works Loan Board borrowing	(177.989)	(258.418)
(54.745)	(86.847)	Financial liabilities at amortised cost - Non-PWLB borrowing ("market debt")	(54.737)	(82.788)
(11.637)	(11.637)	Financial liabilities at amortised cost - borrowing from group entities	(7.743)	(7.743)
<b>(255.628)</b>	<b>(379.230)</b>	<b>Borrowing</b>	<b>(240.469)</b>	<b>(348.949)</b>
(42.583)	(42.583)	Financial liabilities at amortised cost - trade payables	(44.243)	(44.243)
(79.883)	(79.883)	PFI/PPP and finance lease liabilities	(77.178)	(77.178)
(0.003)	(0.002)	Financial guarantees	(0.001)	(0.001)
<b>(122.469)</b>	<b>(122.468)</b>	<b>Creditors</b>	<b>(121.422)</b>	<b>(121.422)</b>

The council's available-for-sale financial assets comprise the council's 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, Standard Life Wealth Limited.

The assessment of the fair value of fixed term deposits (within loans and receivables) and borrowing (within financial liabilities at amortised cost), has been carried out on the council's behalf by the council's treasury advisers, Arlingclose Limited. This fair value assessment uses the "net present value" approach, which provides an estimate of the value, in today's terms, of the cash flows which are expected to take place over the remaining term of the financial instruments. The discount rate used in the assessment is the comparable new deposit/borrowing rate for a financial instrument of similar structure and terms, from a comparable borrower/lender. This is the rate applicable in the market, on the date of valuation, for an instrument with duration equal to the outstanding period from the date of valuation to the maturity date of the instrument being assessed. In the case of borrowings from the Public Works Loan Board (PWLB), the interest rate used to assess fair value is the appropriate new borrowing rate, and not the more penal rate which is applied in the event of premature repayment of PWLB borrowings. A consistent approach has been applied to financial assets and to financial liabilities.

The assessment of the fair value of loans to other entities and individuals (within loans and receivables) follows a similar "net present value" method to that for fixed term deposits and borrowing, with discount rates being estimated using the prevailing market rate of interest for similar instruments and similar borrowers.

Due to the short-term nature of trade receivables (within loans and receivables) and trade payables (within financial liabilities at amortised cost), and the fact that no quoted interest rate applies to these, such financial instruments are carried at the original contract amount (net of any impairment in the case of trade receivables). For these instruments the contract amount, the amortised cost and the fair value are considered to be not materially different.

The fair value of loans and receivables (excluding accrued interest) is greater than the balance sheet carrying amount as at 31 March 2018. This is because the council has placed fixed term deposits, and has made loans to other entities and individuals, where the contractual interest rate is higher than the rates available for similar deposits/loans at that date. This represents a notional future gain (based on economic conditions at 31 March 2018) attributable to the commitment to receive interest above current market rates.

Similarly, the fair value of financial liabilities at amortised cost is greater than the balance sheet carrying amount as at 31 March 2018. This is because the council has taken borrowing where the contractual interest rate is higher than the rates available for similar borrowing at that date. This represents a notional future loss (based on economic conditions at 31 March 2018) attributable to a commitment to pay interest to lenders above current market rates.

#### 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) or deficit on the revaluation of available-for-sale financial assets” in the **comprehensive income and expenditure statement**.

2017-2018	Financial assets: loans and receivables £m	Available-for-sale financial assets £m	Financial liabilities at amortised cost £m	Total £m
Interest expense (including finance lease interest)	-	-	17.044	<b>17.044</b>
Impairment losses	0.076	-	-	<b>0.076</b>
<b>Total expense in the (surplus) or deficit on the provision of services</b>	<b>0.076</b>	-	<b>17.044</b>	<b>17.120</b>
Interest income	(0.795)	-	-	<b>(0.795)</b>
Dividend income	-	(0.098)	-	<b>(0.098)</b>
Other income	(0.001)	-	-	<b>(0.001)</b>
<b>Total income in the (surplus) or deficit on the provision of services</b>	<b>(0.796)</b>	<b>(0.098)</b>	-	<b>(0.894)</b>
Net (gain) or loss on revaluation	-	(0.052)	-	<b>(0.052)</b>
<b>(Surplus) or deficit on the revaluation of available-for-sale financial assets (in other comprehensive income and expenditure)</b>	-	<b>(0.052)</b>	-	<b>(0.052)</b>
<b>Net (gain) or loss for the year (in total comprehensive income and expenditure)</b>	<b>(0.720)</b>	<b>(0.150)</b>	<b>17.044</b>	<b>16.174</b>

2016-2017	Financial assets: loans and receivables £m	Available-for-sale financial assets £m	Financial liabilities at amortised cost £m	Total £m
Interest expense (including finance lease interest)			- 17.608	17.608
Impairment losses	0.231	-		0.231
<b>Total expense in the (surplus) or deficit on the provision of services</b>	<b>0.231</b>	<b>-</b>	<b>17.608</b>	<b>17.839</b>
Interest income	(0.868)	-	-	(0.868)
Dividend income	-	(0.101)	-	(0.101)
Other income	(0.004)	-	-	(0.004)
<b>Total income in the (surplus) or deficit on the provision of services</b>	<b>(0.872)</b>	<b>(0.101)</b>	<b>-</b>	<b>(0.973)</b>
Net (gain) or loss on revaluation	-	(0.261)	-	(0.261)
<b>(Surplus) or deficit on the revaluation of available-for-sale financial assets (in other comprehensive income and expenditure)</b>	<b>-</b>	<b>(0.261)</b>	<b>-</b>	<b>(0.261)</b>
<b>Net (gain) or loss for the year (in total comprehensive income and expenditure)</b>	<b>(0.641)</b>	<b>(0.362)</b>	<b>17.608</b>	<b>16.605</b>

#### 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 has fully adopted 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.

##### 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 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 following analysis summarises the council's potential maximum exposure to credit risk, based on past experience and current market conditions. No credit limits were exceeded during the financial year and the council expects full repayment on the due date of deposits placed with its counterparties.

2017-2018	Amount at 31 March 2018 £m	Historical experience of non-payment adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018 £m
Deposits with financial institutions	112.257		
Customers (sundry income)	11.084	13.00%	1.441
<b>Total</b>	<b>123.341</b>		<b>1.441</b>

The Council does not generally allow credit for customers, such that as at 31 March 2018 £6.864 million of the £11.084 million (£5.707 million of £9.402 million in 2016-2017) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by age as follows:

31 March 2017		31 March 2018	
£m		£m	
1.786	Less than three months and past due	0.946	
0.926	Three to six months	0.553	
0.989	Six months to one year	0.761	
4.325	More than one year	4.604	
<b>8.026</b>	<b>Sundry income debtors past due</b>	<b>6.864</b>	

### 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 2018 the outstanding value of loans advanced by the council was £0.919 million (£1.033 million as at 31 March 2017).

### Liquidity risk

The council’s main source of borrowing is HM Treasury’s Public Works Loans Board. 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:

31 March 2017			31 March 2018		
£m			£m		
		<i>Principal maturing...</i>			
64.128	26.80% *	in less than one year	36.439	15.97% *	
3.523	1.47%	between one and two years	23.317	10.22%	
5.377	2.25%	between two and five years	3.930	1.72%	
166.297	69.48%	in more than five years	164.427	72.09%	
<b>239.325</b>	<b>100.00%</b>	<b>Principal element of borrowing</b>	<b>228.113</b>	<b>100.00%</b>	

\*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 2017-2018, with all other variables held constant.

	2017-2018
	£m
<i>Notional impact on the surplus or deficit on the provision of services:</i>	
Increase in interest payable on new fixed rate borrowings taken during the year	-
Increase in interest receivable on deposits placed during the year	(1.450)
<b>Notional impact on the surplus or deficit on the provision of services</b>	<b>(1.450)</b>
Share of this impact which would be attributable to the Housing Revenue Account	(0.685)
<i>Accounting presentation changes, which would have no impact on the surplus or deficit on the provision of services or other comprehensive income and expenditure:</i>	
Decrease in the fair value of fixed rate loans and deposits	0.337
Decrease in the fair value of fixed rate borrowing	55.994

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 Standard Life Wealth Limited 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 2017-2018 the book cost of investments increased by £0.098 million (£0.101 million increase during 2016-2017).

The investment is classified as "available-for-sale", meaning that all movements in price will impact on the gains and losses recognised in other comprehensive income and expenditure. This is a prescribed presentational 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 2018 would have resulted in a £0.057 million gain or loss being recognised in other comprehensive income and expenditure for 2017-2018.

#### Market risk: foreign exchange risk

The council does not lend or borrow in foreign currencies and has no exposure to gains or losses arising from movements in exchange rates.

## Note 25 Cash flow statement

### 25a. Cash flow: operating activities – adjustments to the net provision of services for non-cash movements

2016-2017		2017-2018
£m		£m
(57.473)	Depreciation, amortisation, impairment and revaluations	(71.824)
6.610	(Increase)/decrease in impairment provision for bad debts	(0.984)
1.852	(increase)/decrease in creditors	(4.546)
6.697	Increase/(decrease) in debtors	10.588
(0.205)	Increase/(decrease) in inventories	0.194
(11.380)	Pension (liability)/asset	(26.364)
(9.697)	Carrying amount of non-current assets sold	(3.764)
3.623	Other non-cash items charged to the net surplus or deficit on the provision of services	9.514
(59.973)	<b>Adjustment to net (surplus)/deficit on the provision of services for non – cash movements</b>	<b>(87.186)</b>

### 25b. Cash flow statement: investing activities

2016-2017		2017-2018
£m		£m
57.850	Purchase of property, plant and equipment, investment property and intangible assets	57.577
27.844	Purchase of short-term and long-term investments	3.923
(9.074)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2.881)
(17.099)	Other receipts from investing activities	(21.282)
59.521	<b>Net cash flows from investing activities</b>	<b>37.337</b>

### 25c. Cash flow statement: financing activities

2016-2017		2017-2018
£m		£m
(25.795)	Cash receipts of short-term and long-term borrowing	-
2.604	Cash payments for the reduction of the outstanding liability relating to finance leases and on-balance sheet PFI/PPP contracts	2.705
-	Repayment of short-term and long-term borrowing	15.160
(23.191)	<b>Net cash flows from financing activities</b>	<b>17.865</b>

## 25d. Cash flow statement: interest paid and received

The Net cash flow from operating activities in Note 25a includes the following elements of interest paid and received:

2016-2017		2017-2018	
£m		£m	
(1.914)	Interest received	(1.730)	
13.034	Interest paid	12.492	
6.146	Interest element of finance lease and PPP payments	5.948	
<b>17.266</b>		<b>16.710</b>	

## Note 26 Trading operations

The Council's trading operations are required to operate in a commercial environment, with income being generated from other parts of the Council or from other organisations. The Council has classified all its trading accounts as "non-significant" under Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance regarding the classification of trading operations, however the trading accounts are produced for management purposes and are therefore disclosed. The practice of maintaining trading operation accounts for management purposes will cease from 31 March 2018 as agreed by the Finance, Resources and Customer Services Policy Board on 28 March 2018.

		2015-2016	2016-2017	2017-2018	Total of last three years
		£m	£m	£m	£m
<b>Building Services</b>	Turnover	17.507	18.169	20.595	<b>56.271</b>
	Expenditure	16.920	17.888	20.280	<b>55.088</b>
	<b>Surplus</b>	<b>0.587</b>	<b>0.281</b>	<b>0.315</b>	<b>1.183</b>
<b>Roads Services</b>	Turnover	4.884	4.861	5.585	<b>15.330</b>
	Expenditure	4.751	4.732	5.443	<b>14.926</b>
	<b>Surplus</b>	<b>0.133</b>	<b>0.129</b>	<b>0.142</b>	<b>0.404</b>
<b>Catering</b>	Turnover	5.696	5.617	5.798	<b>17.111</b>
	Expenditure	5.239	5.162	5.490	<b>15.891</b>
	<b>Surplus</b>	<b>0.457</b>	<b>0.455</b>	<b>0.308</b>	<b>1.220</b>
<b>Transport Workshop</b>	Turnover	3.057	3.133	3.137	<b>9.327</b>
	Expenditure	2.543	2.625	2.609	<b>7.777</b>
	<b>Surplus</b>	<b>0.514</b>	<b>0.508</b>	<b>0.528</b>	<b>1.550</b>
<b>Total for all trading operations</b>	Turnover	31.144	31.780	35.115	<b>98.039</b>
	Expenditure	29.453	30.407	33.822	<b>93.682</b>
	<b>Surplus</b>	<b>1.691</b>	<b>1.373</b>	<b>1.293</b>	<b>4.357</b>

The surplus on these trading operations has been taken to the Council's **comprehensive income and expenditure statement**.

## Note 27 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.

2016-2017		2017-2018	
£m		£m	
96.106	Scottish Government - Contributions (to) or from the non-domestic rates pool	98.908	
14.806	Non-domestic rates collected: East Renfrewshire	14.440	
0.055	Service income from East Renfrewshire Council for collection of non-domestic rates	0.055	
27.350	Domestic water and sewerage charges collected	28.367	
27.350	Domestic water and sewerage charges paid over to Scottish Water	28.367	
0.636	Service income from Scottish Water for collection of domestic water and sewerage charges	0.636	
0.010	Service income Paisley First Business Improvement District for collection of BID levy.	0.010	

## Note 28 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 are available on the Council website, [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk). Services totalling £0.350 million (£0.066m outstanding balance at 31 March 2018) were commissioned from an organisation in which one elected member has a non-financial interest. The relevant member played no role in the decision relating to services commissioned. One elected member is employed by Renfrewshire Leisure Ltd (RLL). This member has declared this interest and recuses themselves from any Board or Committee meeting where items pertaining to RLL are under discussion.

### Officers

A register of Senior Officers' Interests is available on the Council website, [www.renfrewshire.gov.uk](http://www.renfrewshire.gov.uk).

### 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 29 External audit costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's *Code of Audit Practice* in 2017-2018 were £0.335 million (£0.339 million in 2016-2017). There were no fees paid to Audit Scotland in respect of any other services.

## Note 30 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 2012 which set the contribution rates from 1 April 2015 to 31 March 2019. The next valuation will be based on scheme data as at 31 March 2016 and began in 2016-2017. This will set contribution rates from 1 April 2019. 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. The current employer contribution rate of 17.2% has applied from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers' contribution rate.

Based on the proportion of employer contributions paid in 2016-2017, Renfrewshire Council's level of participation in the scheme is 2.6%. The Council paid £10.834 million (£10.561 million in 2016-2017) for employer's contributions to the Scottish Public Pensions Agency. £0.439 million of expenditure (£0.467 million in 2016-2017) was charged to service revenue accounts in respect of "added years" pension enhancement termination benefits, representing 0.7% of teachers' pensionable pay (0.7% in 2016-2017).

## Note 31 Defined benefit pension schemes

### (i) Participation in pension schemes

The pension scheme for teachers – the Scottish Teachers' Superannuation Scheme – is explained in Note 30 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.

(ii) Transactions relating to post-employment benefits

The council accounts for post-employment benefits in the **comprehensive income and expenditure statement** as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and 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 **comprehensive income and expenditure statement** and the General Fund Balance via the **movement in reserves statement** during the year:

2016-2017		2017-2018
£m		£m
	<i>Included within net cost of services:</i>	
28.103	Current service cost	44.127
1.094	Past service cost/(gain)	1.516
(4.476)	Losses or (gains) on curtailments and settlements	(4.373)
	<i>Included within financing and investment income and expenditure:</i>	
41.202	Interest cost	39.678
(33.690)	Expected return on scheme assets	(30.746)
<b>32.233</b>	<b>Total of LGPS post-employment benefits charged to the surplus or deficit on the provision of services</b>	<b>50.202</b>
	<i>Included within other comprehensive income and expenditure:</i>	
	Remeasurement of the Net Defined Benefit Liability comprising:	
(189.861)	Return on Assets excluding amounts included in net interest	(23.512)
-	Actuarial gains and losses arising on changes in Demographic Assumptions	(3.788)
298.047	Actuarial gains and losses arising on changes in Financial Assumptions	(78.104)
2.622	Actuarial gains and losses arising on changes in Other Assumptions	(95.384)
<b>143.041</b>	<b>Total of LGPS post-employment benefits charged to the comprehensive income and expenditure statement</b>	<b>(150.586)</b>
	<i>Movement in reserves statement:</i>	
110.808	Actuarial losses or (gains)	(200.788)
32.233	Reversal of items relating to post-employment benefits debited or credited to the surplus or deficit on the provision of services in the comprehensive income and expenditure statement	50.202
(20.853)	Employer contributions and direct payments to pensioners payable in the year	(23.838)
<b>122.188</b>	<b>Movement in the year on the Pension Reserve</b>	<b>(174.424)</b>

The cumulative amount of actuarial gains and losses recognised in the **comprehensive income and expenditure statement** as at 31 March 2018 is a loss of £112.537 million (loss of £313.325 million as at 31 March 2017).

(iii) 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 2018, the defined benefit obligation exceeded scheme assets by £160.466 million (£334.890 million as at 31 March 2018). 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 2018 was 2.7% 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 2018, a net pension liability is disclosed as a result of prevailing market conditions at that date. The net pension liability of £160.466 million represents a decrease of £174.424 million between 31 March 2017 and 31 March 2018. 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.

(iv) Movement in defined benefit obligation (scheme liabilities)

The following is a reconciliation of the 2017-2018 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).

2016-2017		2017-2018	
£m		£m	
1,177.937	Opening balance at 1 April	1,518.330	
28.103	Current service cost	44.127	
41.202	Interest cost	39.678	
6.372	Member contributions	7.067	
300.669	Actuarial losses or (gains)	(177.276)	
1.094	Past service cost (including curtailments)	1.516	
(4.476)	Estimated benefits paid: unfunded	(4.373)	
(32.571)	Estimated benefits paid: other	(32.749)	
<b>1,518.330</b>	<b>Closing balance at 31 March</b>	<b>1,396.320</b>	

(v) Movement in scheme assets

The following is a reconciliation of the 2017-2018 opening and closing balances of the fair value of Renfrewshire Council's share of the Strathclyde Pension Fund's scheme assets.

2016-2017		2017-2018	
£m		£m	
965.235	Opening balance at 1 April	1,183.440	
33.690	Expected return on scheme assets	30.746	
6.372	Member contributions	7.067	
20.853	Employer contributions	23.838	
4.476	Contributions in respect of unfunded benefits	4.373	
189.861	Actuarial (losses) or gains	23.512	
(4.476)	Estimated benefits paid: unfunded	(4.373)	
(32.571)	Estimated benefits paid: other	(32.749)	
<b>1,183.440</b>	<b>Closing balance at 31 March</b>	<b>1,235.854</b>	

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 2017 to 31 March 2018 was 6.0%.

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

31 March 2017			31 March 2018		
Quoted Prices in active markets	Prices not quoted in active markets	Total			
£m	£m	£m	Quoted Prices in active markets	Prices not quoted in active markets	Total
			£m	£m	£m
434.278	0.226	<b>434.504</b>	285.085	0.747	<b>285.832</b>
-	0.011	<b>0.011</b>	38.777	0.001	<b>38.778</b>
-	97.573	<b>97.573</b>	-	147.679	<b>147.679</b>
-	142.744	<b>142.744</b>	-	111.895	<b>111.895</b>
13.740	450.036	<b>463.776</b>	405.664	121.046	<b>526.710</b>
0.099	0.158	<b>0.257</b>	0.025	-	<b>0.025</b>
42.608	1.967	<b>44.575</b>	63.621	61.314	<b>124.935</b>
<b>490.725</b>	<b>692.715</b>	<b>1,183.440</b>	<b>793.172</b>	<b>442.682</b>	<b>1,235.854</b>
					<b>Fair value of scheme assets</b>

(vi) 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:

31 March 2017		31 March 2018
£m		£m
	Present value of Renfrewshire Council's share of the Strathclyde Pension Fund's defined benefit obligation - funded liabilities:	
(831.378)	Current employee members	(647.494)
(97.433)	Pre-local government reorganisation (1996) liabilities	(88.792)
(120.695)	Deferred pensioners	(126.741)
(371.464)	Pensioners	(436.905)
<u>(1,420.970)</u>	Defined benefit obligation - funded liabilities	<u>(1,299.932)</u>
	Present value of Renfrewshire Council's share of the Strathclyde Pension Fund's defined benefit obligation - unfunded liabilities:	
(83.195)	Retirals from Renfrewshire Council	(83.113)
(14.165)	Retirals pre-local government reorganisation (1996)	(13.275)
<u>(97.360)</u>	Defined benefit obligation - unfunded liabilities	<u>(96.388)</u>
<b>(1,518.330)</b>	<b>Present value of defined benefit obligation</b>	<b>(1,396.320)</b>
<b>1,183.440</b>	Fair value of scheme assets	<b>1,235.854</b>
<b>(334.890)</b>	<b>Net liability arising from defined benefit obligation</b>	<b>(160.466)</b>

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 2017-2018, and the council's share of the Strathclyde Pension Fund's defined benefit obligation (scheme liabilities) and scheme assets as at 31 March 2018:

31 March 2017		31 March 2018
2.6%	Discount rate for defined benefit obligation	2.7%
2.6%	Long-term expected rate of return on scheme assets*	2.7%
4.4%	Rate of increase in salaries	3.6%
2.4%	Rate of increase in pensions	2.4%
2.4%	Rate of inflation	2.4%
	Mortality assumptions:	
	Longevity at age 65 for current pensioners:	
22.1 years	Men	21.4 years
23.6 years	Women	23.7 years
	Longevity at age 65 for future pensioners:	
24.8 years	Men	23.4 years
26.2 years	Women	25.8 years
	Commutation assumptions - percentage of the maximum additional tax-free cash (per HM Revenue & Customs limits) converted from annual pension into retirement lump sum:	
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 in the Scheme	Movement in Employer Liability	
	£m	%
Salary Increase Rate (increase or decrease by 0.5%)	30.676	2%
Pension Increase Rate (increase or decrease by 0.5%)	105.280	8%
Real Discount Rate (decrease or increase by 0.5%)	138.838	10%

#### 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 2018-2019 to 2020-2021.

The total contributions expected to be made by the council to the Strathclyde Pension Fund in the forthcoming year to 31 March 2019 is £22.531 million. The weighted average duration of the defined benefit obligation is 20.1 years.

#### **Note 32 Contingent assets and liabilities**

The Council has agreed repayment terms with a company relating to a prior year land sale, whereby the interest on the outstanding balance owed to the Council only becomes payable after a certain period of time has elapsed. The interest accruing in this event is viewed as a contingent asset.

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.

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.

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.

### **Note 33 Accounting Policies – Renfrewshire Council**

The Financial Statements for the year ended 31 March 2018 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.

#### **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 Council transfers the significant risks and rewards of ownership to the purchaser or can measure reliably the percentage completion of the transaction, 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 2017 or relate to services associated with the prior financial year.

#### **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 Comprehensive Income and Expenditure Statement 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.

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

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its second phase which ends on 31 March 2019. The UK government announced in 2016 that the CRC energy efficiency scheme will be abolished following the 2018-19 compliance year. The Council is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. 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.

### **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.

### **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.

In the case of the Council's Trading Operations, the charge for the use of assets includes a provision for depreciation plus an interest charge for the actual cost of borrowing for capital expenditure. This accounting treatment fully complies with the specific reporting requirements under the Local Government in Scotland Act 2003 for the Council's Trading Operations.

### **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.

### **Employee Benefits**

#### Benefits payable during employment

All salaries and wages earned up to 31 March 2018 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.

#### 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and

Expenditure Statement 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.

#### **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.

#### **Prior Period Adjustments**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement 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.

#### **Financial Instruments**

##### Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

##### *Loans and Receivables*

Loans and receivables 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 Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

Included within long-term debtors are a number of interest free pay advances to employees as part of negotiated changes to pay cycles (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, 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. 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.

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

#### *Available-for-Sale Assets*

Available-for-sale 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 based on quoted market prices. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg, dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. For the Council's short-term deposits and most of its other lending, the interest disclosed is the amount receivable for the year in the loan agreement.

Assets are maintained in the Balance Sheet at fair value. 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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus/Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, 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).

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).

#### 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 Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement 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).

## 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 Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied 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.

## 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 also in a secure store). 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. Valuations are undertaken on a cyclical basis (approximately every 3-5 years). 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. Valuations are undertaken on a cyclical basis (approximately every 3-5 years). 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. Valuations are undertaken on a cyclical basis (approximately every 3-5 years). 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.

Valuations are undertaken on a cyclical basis (approximately every 3-5 years). 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 museums 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 comprehensive income and expenditure statement.

### **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 Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

The Council has material interests in a charitable company 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 and a 50% holding in a limited liability partnership, which is recorded as an investment.

## Inventories

Inventories (generally consumable stock) are included in the Balance Sheet at weighted average cost.

## 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 Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 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 Comprehensive Income and Expenditure Statement).

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 Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement)

### *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 Comprehensive Income and Expenditure Statement.

### **Overheads and Central Support Costs**

The net cost of all central support departments is fully allocated to user departments. The method of allocation is determined by the individual support departments and in many instances is time based.

### **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*.

### **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 Comprehensive Income and Expenditure Statement. Where gains are credited to the Comprehensive Income and Expenditure Statement, 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 Comprehensive Income and Expenditure Statement

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

#### 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 Comprehensive Income and Expenditure Statement. 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 Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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 (ie, 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 Comprehensive Income and Expenditure Statement 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-minimus threshold for componentisation is £1 million.

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.

#### **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 Comprehensive Income and Expenditure Statement. 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.

#### **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 Available-for-Sale Financial Instruments 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 Available-for-Sale Financial Instruments 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 Comprehensive Income and Expenditure Statement.

## 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 Comprehensive Income and Expenditure Statement 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.

## Trading Operations

All trading operations are classified as non-significant in terms of the Local Government in Scotland Act 2003. The surplus or deficit on each trading operation is allocated to the General Fund balance; with the exception of Building Services where the surplus is apportioned between the General Fund balance and the Housing Revenue Account balance based on the level of Housing related turnover.

## 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.

## Accounting Policies - Group

### Introduction

The Code of Practice on Local Authority Accounting in the United Kingdom 2017-2018 ("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; other charitable trusts administered by Renfrewshire Council; and six other entities:

1. Renfrewshire Leisure Limited
2. Strathclyde Partnership for Transport
3. Strathclyde Concessionary Travel Scheme Joint Committee
4. Renfrewshire Valuation Joint Board
5. Renfrewshire Health and Social Care Integration Joint Board
6. Park Lane Developments (Renfrewshire) Limited Liability Partnership.

Under accounting standards, the council requires to include the results of Renfrewshire Leisure Limited and Park Lane Developments (Renfrewshire) Limited Liability Partnership as *subsidiaries* with Strathclyde Partnership for Transport, Strathclyde Concessionary Travel Scheme Joint Committee and Renfrewshire Valuation Joint Board included as *associates* because the council has a "significant influence" over their financial and operating policies. The council has no shares in, or ownership of, any of these four organisations, which are entirely independent of the council under law and for taxation.

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* (rather than *subsidiary*) 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 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. The council also holds 50% (£50) of the share capital of Park Lane Developments (Renfrewshire) Limited Liability Partnership. These two entities are included as *joint ventures* in the council’s group accounts. Renfrewshire Council’s share of each joint venture’s net liabilities is calculated based on the council’s proportionate ordinary shareholding in each joint venture.

The council has effective control over Renfrewshire Leisure Limited, the Paisley, Renfrew and Johnstone Common Good Funds and other charitable trusts 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.

#### **Basis of preparation of group statements and going concern**

For the three associates and two 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 being 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 comprehensive income and expenditure statement**).

For three of the five 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 Arnotts store in Paisley.

All of the above associates and joint ventures consider it appropriate that their annual accounts should follow the “going concern” basis of accounting. Arrangements with the Council and other funders for the longer-term funding of Park Lane Developments (Renfrewshire) Limited Liability Partnership are considered sufficient to meet future funding requirements.

#### **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 (those numbered 2, 3 and 4 in the preceding list) 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 2003-2004. 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.

### Post-employment benefits

In common with Renfrewshire Council, all combining entities, except Park Lane Developments (Renfrewshire) Limited Liability Partnership, 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.

### 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.

### 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 Renfrewshire Valuation Joint Board and the Concessionary Travel Scheme Joint Committee have 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.

### 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.

### 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.

### Note 34 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. This applies to the adoption of the following new or amended standards within the 2018-2019 Code:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Amendment to IAS 7 Statement of Cash Flow : disclosure initiative
- Amendment to IAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses

The code requires implementation from 1 April 2018 and there is therefore no impact on the 2017-2018 financial statements.

It is not anticipated that the above amendments will have a material impact on the financial statements.

### Note 35 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.
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 5% random sample of employees has been used to calculate the short-term provision necessary for annual leave. Flexi-leave has been calculated based on the actual credit or debit position for all employees eligible as at 31 March 2018.

### Note 36 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 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	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 £139 million. However, the assumptions interact in complex ways. During 2017-2018, the Council's actuaries advised that the net pensions liability had decreased by £95.4 million as a result of estimates being corrected as a result of experience and decreased by £78.1 million as a result of updating of the assumptions.
Debt Impairment	At 31 March 2018, the Council had a balance for long and short term debtors (including council tax, rent arrears and trade debtors) of £57.0 million. A review of significant balances suggested that an impairment of doubtful debts of £25.9 million was appropriate. However, in the current economic climate it is	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.

not certain that such an allowance would be sufficient.

**Note 37 Events after the balance sheet date**

The Director of Finance and Resources, being the officer responsible for the council's financial affairs, signed the audited Annual Accounts on 27 September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## 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**.

2016-2017		2017-2018	
£m		£m	£m
	<i>Expenditure:</i>		
11.102	Repairs and maintenance	12.116	
12.413	Supervision and management	13.198	
31.238	Depreciation and impairment of non-current assets	29.239	
(0.167)	Increase or (decrease) in the allowance for bad debts	0.091	
1.188	Other expenditure	0.647	
55.774			55.291
	<i>Income:</i>		
(46.578)	Dwelling rents	(46.118)	
(1.264)	Non-dwelling rents	(1.479)	
(0.465)	Other income	(0.307)	
(48.307)			(47.904)
<b>7.467</b>	<b>Net cost of HRA services as included in the comprehensive income and expenditure statement</b>		<b>7.387</b>
	<i>HRA share of the operating income and expenditure included in the comprehensive income and expenditure statement:</i>		
(0.666)	(Gain) or loss on sale of HRA non-current assets		0.057
6.551	Interest payable and similar charges		5.425
(0.185)	Interest and investment income		(0.130)
(0.189)	Income from trading operations		(0.281)
0.478	Pensions interest cost and expected return on pensions assets		0.546
(0.892)	Taxation and non specific grant income		(1.825)
<b>12.564</b>	<b>(Surplus) or deficit for the year on HRA services</b>		<b>11.179</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.

2016-2017		2017-2018			
£m		£m	£m	£m	£m
(10.239)	Balance on the HRA at the end of the previous year				(9.811)
12.564	(Surplus) or deficit for the year on the HRA income and expenditure statement			11.179	
	<i>Adjustments between accounting basis and funding basis under regulations:</i>				
0.263	Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements		0.229		
0.666	Reverse out gain or (loss) on sale of HRA non-current assets		(0.057)		
	HRA share of contributions to or (from) the Pension Reserve:				
(2.334)	Reverse out net charges made for post-employment benefits in accordance with IAS19	(3.334)			
1.325	Pensions cost chargeable for the year in accordance with statutory provisions: employer's contributions payable to Strathclyde Pension Fund	1.456			
(1.009)	HRA share of contributions to or (from) the Pension Reserve		(1.878)		
0.048	HRA share of contributions to or (from) the Employee Statutory Adjustment Account		0.085		
1.387	Capital expenditure funded by the HRA			-	
	Transfer to or (from) the Capital Adjustment Account:				
(31.238)	Reverse out depreciation and impairment losses on non-current assets	(29.239)			
0.892	Reverse out credits made for capital grants	1.825			
16.855	Loans fund principal contribution from the HRA	20.860			
(13.491)	Transfer to or (from) the Capital Adjustment Account		(6.554)		
(12.136)	Total of adjustments between accounting basis and funding basis under regulations			(8.175)	
0.428	<b>Net (increase) or decrease before transfers to or from reserves</b>			<b>3.004</b>	
-	Transfers to or (from) reserves			-	
<b>0.428</b>	<b>(Increase) or decrease in the year on the HRA</b>			<b>3.004</b>	
<b>(9.811)</b>	<b>Balance on the HRA at the end of the current year</b>			<b>(6.807)</b>	

## 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 11,874 dwellings during 2017-2018 (11,982 in 2016-2017). The following shows an analysis of these dwellings by type. The figures below exclude void initiative properties.

2016-2017			2017-2018		
Number at 31 March 2017	Average weekly rent £	Type of dwelling	Number at 31 March 2018	Average weekly rent £	
410	59.95	One-apartment	407	60.07	
3,651	68.11	Two-apartment	3,610	68.18	
5,728	76.98	Three-apartment	5,674	77.02	
1,983	86.05	Four-apartment	1,974	86.06	
210	92.65	Five+apartment	209	92.64	
<b>11,982</b>		<b>Total</b>	<b>11,874</b>		

### 2. Gross rent income

This is the total rental income chargeable for the year and includes a deduction for voids (£0.715 million in 2017-2018 and £0.889 million in 2016-2017), but excludes irrecoverables and bad debts. Average rents were £75.14 per week in 2017-2018 (£75.14 in 2016-2017). The total rent income for 2017-2018 reflects the decision of the Council to charge only a nominal rent in respect of initiative voids.

### 3. The amount of rent arrears

At 31 March 2018 total rent arrears amounted to £2.265 million (£2.201 million at 31 March 2017). This is 4.76% of the total value of rents due at 31 March 2018.

### 4. The provision considered to be necessary in respect of uncollectable rent arrears

In the financial year 2017-2018 the rental bad debt provision has been increased by £0.025 million (£0.306 million decrease during 2016-2017). The provision to cover the potential loss of income stands at £1.479 million at 31 March 2018. This is 3.15% of the total value of rents due at that date.

### 5. The share of corporate costs

In the financial year 2017-2018 the HRA share of corporate and democratic core costs amounted to £0.033 million (£0.036 million in 2016-17) and the HRA share of other amounts included in the whole authority Net Cost of Services but not allocated to a specific service amounted to £0.083 million (£0.070 million in 2016-17).

### 6. The nature and amount of any prior year items not disclosed in the statement

NIL

Councils raise taxes from residents by way of a property tax – the council tax – which is based on property values. Each dwelling house in a local authority area is placed into one of eight valuation bands, “A” to “H”. The council declares an annual charge for band D properties and all other properties are charged a proportion of this – lower valued properties pay less, higher valued properties pay more. The council tax income account shows the gross income raised from council taxes levied and deductions made under statute. 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 comprehensive income and expenditure statement.

2016-2017		2017-2018	
£m		£m	
94.594	Gross council tax levied	99.699	
(13.649)	Other discounts and reductions	(14.079)	
(12.133)	Council tax reduction scheme	(12.187)	
(1.611)	Write-off of uncollectable debts and allowance for impairment	(1.483)	
0.635	Adjustment to previous years’ community charge and council tax	1.288	
<b>67.836</b>	<b>Transfer to the comprehensive income and expenditure statement</b>	<b>73.238</b>	

### Calculation of the council tax

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest “A” to the highest “H”. The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands, which are based on pre-determined proportions relative to the band D charge. The band D charge for 2017-2018 was £1,164.69 (unchanged from 2016-2017).

In 2017-2018 if only one person over 18 lived in a property a discount of 25% was applied. From 15 July 2016, unoccupied and unfurnished properties were exempt from Council Tax for the first six months. A discount of 10% was then available for the next six months. A 100% additional Council Tax levy was then payable for as long as the property remains empty. The 10% Council Tax 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 people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. 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.

### Annual council tax charges

2017-2018	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H							
£	776.46	£	905.87	£	1,035.28	£	1,164.69	£	1,530.27	£	1,892.62	£	2,280.85	£	2,853.49

Calculation of the council tax base

2017-2018	Number of dwellings	Number of exemptions	Disabled relief	Discounts of 25%	Discounts of 50%	Total equivalent dwellings	Ratio to Band D	Band D equivalents
Band A	13,692	1,890	8	8,040	153	9,806	6:9	6,537
Band B	25,639	1,465	98	13,127	245	20,737	7:9	16,128
Band C	14,622	497	65	6,032	104	12,549	8:9	11,155
Band D	12,102	266	49	4,167	71	10,777	1:1	10,777
Band E	10,792	163	67	2,531	49	9,957	473:360	12,170
Band F	6,139	62	52	1,028	29	5,774	585:360	8,340
Band G	3,658	88	20	464	20	3,424	705:360	5,707
Band H	218	15	0	33	1	194	882:360	388
<b>Total</b>	<b>86,862</b>	<b>4,446</b>	<b>359</b>	<b>35,422</b>	<b>672</b>	<b>73,218</b>		<b>71,202</b>
						Band A dwellings subject to disabled relief		4
						Class 17 and 24 dwellings		134
						<b>Sub-total</b>		<b>71,340</b>
						Provision for non-payment and future award of discounts and reliefs		(469)
						<b>Council tax base</b>		<b>70,871</b>

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 2012-2013 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.

2016-2017		2017-2018	
£m		£m	
119.040	Gross rates levied	144.850	
(17.875)	Reliefs and other deductions	(19.601)	
(2.022)	Write-off of uncollectable debts and allowance for impairment	(2.195)	
<b>99.143</b>	<b>Net non-domestic rate income</b>	<b>123.054</b>	
0.895	Adjustment to previous years' non-domestic rates	(1.944)	
<b>(3.932)</b>	<b>Contribution (to) or from the national non-domestic rate pool</b>	<b>(22.202)</b>	
-	Non-domestic rate income retained by authority (BRIS)	-	
96.106	Transfer to comprehensive income and expenditure statement	98.908	

#### 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 2017-2018 the charge was 46.6 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) properties with a rateable value up to and including £15,000 are entitled to a 100% reduction in their business rates and properties with a rateable value of between £15,001 and £18,000 receive a 25% reduction. A business with two or more properties with a combined rateable value of between £15,001 and £35,000 can be eligible for 25% relief for individual properties each with a rateable value up to and including £18,000.

#### Analysis of Renfrewshire Council's rateable values

		2017-2018		
		£m		£m
		As at 1 April 2017	Revaluation	Revised at at 1 April 2017
Rateable value :	Commercial	107.856	(0.093)	107.763
	Industrial and freight transport	46.808	2.356	49.164
	Education and public service	29.754	2.180	31.934
	Communications	0.011	-	0.011
	Others	53.204	74.765	127.969
				316.841
Running roll (full-year rateable value)				(14.695)
<b>Rateable value at 31 March 2018</b>				<b>302.146</b>
Wholly exempt subjects		(1.711)	0.271	(1.440)
<b>Net rateable value at 31 March 2018</b>				<b>300.706</b>

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	Usable reserves						Council's unusable reserves	Council's total reserves	Council's share of reserves of subsidiaries, associates and JV's	Total reserves
	General Fund Balance	Housing Revenue Account Balance	Revenue statutory funds	Capital Receipts Reserve	Capital statutory funds	Council's Total usable reserves				
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 31 March 2016 carried forward</b>	<b>61.378</b>	<b>10.239</b>	<b>2.855</b>	<b>4.116</b>	<b>62.788</b>	<b>141.376</b>	<b>653.401</b>	<b>794.777</b>	<b>43.133</b>	<b>837.910</b>
<i>Movement in reserves during 2016-2017:</i>										
Surplus or (deficit) on the provision of services	22.229	(12.564)	-	-	-	9.665	-	9.665	(3.950)	5.715
Other comprehensive income and expenditure	-	-	-	-	-	-	(47.764)	(47.764)	(7.303)	(55.038)
<b>Total comprehensive income and expenditure</b>	<b>22.229</b>	<b>(12.564)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.665</b>	<b>(47.764)</b>	<b>(38.099)</b>	<b>(11.253)</b>	<b>(49.352)</b>
Adjustments between group accounts and council accounts	G5	(8.898)	-	-	-	(8.898)	-	(8.898)	8.898	-
<b>Net increase or (decrease) before transfers</b>		<b>13.331</b>	<b>(12.564)</b>	<b>-</b>	<b>-</b>	<b>0.767</b>	<b>(47.764)</b>	<b>(46.997)</b>	<b>(2.355)</b>	<b>(49.352)</b>
Adjustments between accounting basis and funding basis under regulations	6	6.555	12.136	-	3.515	(13.816)	8.390	(8.390)	-	-
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>19.886</b>	<b>(0.428)</b>	<b>-</b>	<b>3.515</b>	<b>(13.816)</b>	<b>9.157</b>	<b>(56.154)</b>	<b>(2.355)</b>	<b>(49.352)</b>
Transfers to or (from) other statutory reserves	7	(32.537)	-	0.002	-	32.536	0.001	-	-	0.001
<b>Increase or (decrease) in 2016-2017</b>		<b>(12.651)</b>	<b>(0.428)</b>	<b>0.002</b>	<b>3.515</b>	<b>18.720</b>	<b>9.158</b>	<b>(56.996)</b>	<b>(2.355)</b>	<b>(49.351)</b>
<b>Balance at 31 March 2017 carried forward</b>		<b>48.727</b>	<b>9.811</b>	<b>2.857</b>	<b>7.631</b>	<b>81.508</b>	<b>597.246</b>	<b>747.780</b>	<b>40.778</b>	<b>788.558</b>
<i>Movement in reserves during 2017-2018:</i>										
Surplus or (deficit) on the provision of services		(13.149)	(11.179)	-	-	-	(24.328)	(24.328)	(4.564)	(28.892)
Other comprehensive income and expenditure		-	-	-	-	-	292.271	292.271	14.805	307.076
<b>Total comprehensive income and expenditure</b>		<b>(13.149)</b>	<b>(11.179)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(24.328)</b>	<b>292.271</b>	<b>10.241</b>	<b>278.184</b>
Adjustments between group accounts and council accounts	G5	(8.172)	-	-	-	-	(8.172)	(8.172)	8.172	-
<b>Net increase or (decrease) before transfers</b>		<b>(21.321)</b>	<b>(11.179)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32.500)</b>	<b>292.271</b>	<b>18.413</b>	<b>278.184</b>
Adjustments between accounting basis and funding basis under regulations	6	25.030	8.175	-	(0.014)	(1.817)	31.374	(31.374)	-	-
<b>Net increase or (decrease) before transfers to other statutory reserves</b>		<b>3.709</b>	<b>(3.004)</b>	<b>-</b>	<b>(0.014)</b>	<b>(1.817)</b>	<b>(1.126)</b>	<b>259.771</b>	<b>18.413</b>	<b>278.184</b>
Transfers to or (from) other statutory reserves	7	(7.227)	-	0.001	-	7.226	-	-	-	-
<b>Increase or (decrease) in 2017-2018</b>		<b>(3.518)</b>	<b>(3.004)</b>	<b>0.001</b>	<b>(0.014)</b>	<b>5.409</b>	<b>(1.126)</b>	<b>259.771</b>	<b>18.413</b>	<b>278.184</b>
<b>Balance at 31 March 2018 carried forward</b>		<b>45.209</b>	<b>6.807</b>	<b>2.858</b>	<b>7.617</b>	<b>86.917</b>	<b>858.143</b>	<b>1007.551</b>	<b>59.191</b>	<b>1,066.742</b>



## Group Balance Sheet

The **group balance sheet** shows the value as at 31 March 2018 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**.

31 March 2017		31 March 2018	
£m		Note	£m
1,277.101	Property, plant and equipment	G9	1,362.494
2.297	Investment property	G10	2.262
39.196	Heritage assets	G11	39.522
0.651	Intangible assets	13	0.405
20.871	Long-term investments	G15	27.679
17.914	Investments in associates and joint ventures	G3	28.172
3.078	Long-term debtors	19	2.492
<b>1,361.108</b>	<b>Long-term assets</b>		<b>1,463.026</b>
94.379	Short-term investments	G15	91.238
0.631	Inventories		0.831
0.588	Short-term Intangible Assets	18	0.266
50.709	Short-term debtors	G12	60.773
38.110	Cash and cash equivalents		14.289
0.988	Short-term assets held for sale	12	0.251
<b>185.405</b>	<b>Current assets</b>		<b>167.648</b>
(77.508)	Short-term borrowing	G15	(46.048)
(67.095)	Short-term creditors	G13	(72.242)
(7.223)	Short-term provisions	22	(7.417)
<b>(151.826)</b>	<b>Current liabilities</b>		<b>(125.707)</b>
(175.197)	Long-term borrowing	G15	(192.056)
(77.181)	Long-term creditors	21	(78.234)
(5.248)	Long-term provisions	22	(5.426)
(4.474)	Liabilities in associates and joint ventures	G3	(0.964)
(342.855)	Other long-term liabilities		(161.545)
<b>(604.955)</b>	<b>Long-term liabilities</b>		<b>(438.225)</b>
<b>789.732</b>	<b>Net assets</b>		<b>1,066.742</b>
176.015	Usable reserves	G7	173.153
613.717	Unusable reserves	G8	893.589
<b>789.732</b>	<b>Total reserves</b>		<b>1,066.742</b>

The unaudited accounts were issued on 28 June 2018 and the audited accounts were authorised for issue on 27 September 2018.

Balance Sheet signed by:

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

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.

2016-2017		2017-2018	
£m		Note	£m
(5.715)	Group (surplus) or deficit		28.892
(55.421)	Adjust group surplus or deficit for non-cash movements		(84.436)
26.746	Adjust for items included in the group net surplus or deficit that are investing and financing activities		25.021
<b>(34.390)</b>	<b>Net cash flows from operating activities</b>		<b>(30.523)</b>
58.948	Net cash flows from investing activities		36.479
(23.191)	Net cash flows from financing activities	25c	17.865
<b>1.367</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>		<b>23.821</b>
(39.477)	Cash and cash equivalents at the beginning of the reporting period		(38.110)
<b>(38.110)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(14.289)</b>

## 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 2018. 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, Park Lane Developments (Renfrewshire) Limited Liability Partnership** and the **charitable trusts** 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.

**Park Lane Developments (Renfrewshire) Limited Liability Partnership** 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. 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 status of Park Lane Developments (Renfrewshire) Limited Liability Partnership been revised following a variation in terms of the partnership agreement. In terms of the CIPFA Code of Practice on Local Authority Accounting, Park Lane Developments (Renfrewshire) Limited Liability Partnership is now to be treated as a subsidiary in Renfrewshire Council's group accounts. Renfrewshire Council's relationship with Park Lane Developments (Renfrewshire) Limited Liability Partnership is such that council representatives have enhanced voting rights and Park Lane Developments (Renfrewshire) Limited Liability Partnership has no claim on the remaining assets should the partnership be wound up. 2016-2017 group statements have been restated where necessary to reflect this change in accounting treatment.

The **group comprehensive income and expenditure statement** includes total net comprehensive income for the year of £6.726 million (2016-2017 net comprehensive expenditure off £7.644 million) for Renfrewshire Leisure Limited, total net comprehensive income for the year of £0.087 million (2016-2017 net comprehensive income of £3.160 million) for the Paisley, Renfrew and Johnstone Common Good Funds, total net comprehensive expenditure for the year of £0.154 million for Park Lane Developments (Renfrewshire) Limited Liability Partnership (2016-2017 net comprehensive of £0.122 million) and total net comprehensive expenditure for the year of £0.000 million (2016-2017 net comprehensive income of £0.051 million) for the charitable trusts.

The **group balance sheet** includes net liabilities of £0.745 million (2016-2017 net liabilities of £7.741 million) for Renfrewshire Leisure Limited, net assets of £35.417 million (2016-2017 net assets of £35.330 million) for the Common Good Funds, net liabilities of £3.321 million for Park Lane Developments (Renfrewshire) Limited Liability Partnership (2016-2017 net liabilities of £3.561) and net assets of £0.632 million (2016-2017 net assets of £0.652 million) for the charitable trusts.

**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 2017-2018, Renfrewshire Council contributed £0.328 million or 7.83% of the committee's estimated running costs (2016-2017 £0.333 million or 7.83%) and its share of the year-end net asset was £0.122 million (2016-2017 £0.132 million) 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, Consort House, 12 West George Street, Glasgow G2 1HN.

**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 £2.934 million (8.01%) to the committee's estimated running costs in 2017-2018 (2016-2017 £2.994 million or 8.01%) and its share of the year-end net asset was £26.329 million (2016-2017 £15.035 million) and is included in the **group balance sheet**. Copies of its accounts may be obtained from the Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

**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 2017-2018, Renfrewshire Council contributed £1.211 million or 56.1% of the board's estimated running costs (2016-2017 £1.241 million or 56.2%) and its share of the year-end net liability was £0.964 million (2016-2017 £2.691 million) 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	Renfrewshire Council's Share	Renfrewshire Valuation Joint Board	Renfrewshire Valuation Joint Board	Renfrewshire Council's Share
<b>31 March 2017</b>			<b>31 March 2018</b>	
£m	£m		£m	£m
-	-	Long-term assets	-	-
0.488	0.273	Current assets	0.396	0.222
(0.528)	(0.296)	Current liabilities	(0.439)	(0.246)
(4.755)	(2.668)	Long-term liabilities	(1.676)	(0.940)
<b>(4.795)</b>	<b>(2.691)</b>	<b>Net assets / (liabilities)</b>	<b>(1.719)</b>	<b>(0.964)</b>
<b>2016-2017</b>			<b>2017-2018</b>	
£m	£m		£m	£m
2.539	1.424	Income	2.472	1.387
2.736	1.535	Expenditure	2.817	1.580
<b>(0.197)</b>	<b>(0.111)</b>	<b>Surplus / (deficit) for the year</b>	<b>(0.345)</b>	<b>(0.193)</b>

**Park Lane Developments (Renfrewshire) Limited Liability Partnership** status was revised during 2017-18 and is now to be treated as a subsidiary in Renfrewshire Council's group accounts. Up to 2016-17, Renfrewshire Council held 50% (£50) of the issued share capital. The partnership's profit and loss account disclosed a net deficit of £0.244 million for the twelve months to 31 March 2017 and its balance sheet a negative net worth of £3.571 million at 31 March.

Park Lane Developments (Renfrewshire) LLP	Renfrewshire Council's Share	Park Lane Developments (Renfrewshire) Limited Liability Partnership	Park Lane Developments (Renfrewshire) LLP	Renfrewshire Council's Share
<b>31 March 2017</b>			<b>31 March 2018</b>	
£m	£m		£m	£m
-	-	Long-term assets	-	-
0.646	0.323	Current assets	-	-
(0.219)	(0.110)	Current liabilities	-	-
(3.998)	(1.994)	Long-term liabilities	-	-
<b>(3.571)</b>	<b>(1.781)</b>	<b>Net assets / (liabilities)</b>	<b>-</b>	<b>-</b>
<b>2016-2017</b>			<b>2017-2018</b>	
£m	£m		£m	£m
0.531	0.266	Income	-	-
0.775	0.388	Expenditure	-	-
<b>(0.244)</b>	<b>(0.122)</b>	<b>Surplus / (deficit) for the year</b>	<b>-</b>	<b>-</b>

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** 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. Renfrewshire Council's estimated share of the year-end net asset was £1.721 million and is included in the **group balance sheet**. 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	Renfrewshire Council's Share	Renfrewshire Health and Social Care Integration Joint Board	Renfrewshire Integration Joint Board	Renfrewshire Council's Share
<b>31 March 2017</b>			<b>31 March 2018</b>	
£m	£m		£m	£m
-	-	Long-term assets	-	-
5.494	2.747	Current assets	3.442	1.721
-	-	Current liabilities	-	-
-	-	Long-term liabilities	-	-
<b>5.494</b>	<b>2.747</b>	<b>Net assets / (liabilities)</b>	<b>3.442</b>	<b>1.721</b>
<b>2016-2017</b>			<b>2017-2018</b>	
£m	£m		£m	£m
264.489	132.245	Income	264.726	132.363
258.995	129.498	Expenditure	266.778	133.389
<b>5.494</b>	<b>2.747</b>	<b>Surplus / (deficit) for the year</b>	<b>(2.052)</b>	<b>(1.026)</b>

## 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 £0.421 million (60.7%) to the authority’s estimated running costs in 2017-2018 (£0.421 million in 2016-2017).

**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 £0.113 million (3.2%) to the committee’s estimated running costs in 2017-2018 (£0.113 million in 2016-2017).

**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 £0.072 million (12.5%) to the committee’s estimated running costs in 2017-2018 (£0.072 million in 2016-2017).

**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.

## Note G3 Summarised financial information of 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 (£25.486 million asset plus £1.721 million asset = £27.207 million net asset) equates to the net of two figures disclosed in the **group balance sheet** as “investments in associates and joint ventures” (£28.172 million) and “liabilities in associates and joint ventures” (£0.964 million).

Aggregate of associates' results	Renfrewshire Council's Share	Associates	Aggregate of associates' results	Renfrewshire Council's Share
<b>31 March 2017</b>			<b>31 March 2018</b>	
£m	£m		£m	£m
187.683	15.034	Long-term assets	212.133	16.993
98.439	8.113	Current assets	178.548	14.487
(45.245)	(3.876)	Current liabilities	(22.192)	(1.987)
(56.287)	(6.796)	Long-term liabilities	(39.966)	(4.007)
<b>184.590</b>	<b>12.475</b>	<b>Net assets / (liabilities)</b>	<b>328.523</b>	<b>25.486</b>
<b>2016-2017</b>			<b>2017-2018</b>	
£m	£m		£m	£m
109.074	9.950	Income	164.609	14.367
87.683	8.332	Expenditure	73.788	7.257
<b>21.391</b>	<b>1.618</b>	<b>Net surplus / (deficit) for the year</b>	<b>90.821</b>	<b>7.110</b>
<b>31 March 2017</b>			<b>31 March 2018</b>	
£m	£m		£m	£m
-	-	Long-term assets	-	-
6.140	3.070	Current assets	3.442	1.721
(0.219)	(0.110)	Current liabilities	-	-
(3.988)	(1.994)	Long-term liabilities	-	-
<b>1.933</b>	<b>0.966</b>	<b>Net assets / (liabilities)</b>	<b>3.442</b>	<b>1.721</b>
<b>2016-2017</b>			<b>2017-2018</b>	
£m	£m		£m	£m
265.020	132.511	Income	264.726	132.363
259.770	129.886	Expenditure	266.778	133.389
<b>5.250</b>	<b>2.625</b>	<b>Net surplus / (deficit) for the year</b>	<b>(2.052)</b>	<b>(1.026)</b>

#### 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 2018 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 2018, 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 comprehensive income and expenditure statement**.

2016-2017		2017-2018
£m		£m
	<i>Share of (surplus) or deficit:</i>	
	Subsidiaries:	
(1.071)	Paisley, Renfrew and Johnstone Common Good Funds	0.452
0.051	Charitable trusts administered by Renfrewshire Council	-
0.315	Renfrewshire Leisure Limited	1.871
0.244	Park Lane Developments (Renfrewshire) Limited Liability Partnership	0.154
	Associates:	
(1.727)	Strathclyde Partnership for Transport	(7.313)
(0.002)	Strathclyde Concessionary Travel Scheme Joint Committee	0.010
0.111	Renfrewshire Valuation Joint Board	0.193
	Joint Ventures:	
(2.747)	Renfrewshire Health and Social Care Intregation Joint Board	1.026
0.122	Park Lane Developments (Renfrewshire) Limited Liability Partnership	-
<b>(4.704)</b>	<b>Aggregate share of (surplus) or deficit</b>	<b>(3.607)</b>
	<i>Share of other comprehensive (income) and expenditure:</i>	
	Subsidiaries:	
(2.089)	Paisley, Renfrew and Johnstone Common Good Funds	(0.539)
-	Charitable trusts administered by Renfrewshire Council	-
7.329	Renfrewshire Leisure Limited	(8.367)
-	Park Lane Developments (Renfrewshire) Limited Liability Partnership	-
	Associates:	
1.037	Strathclyde Partnership for Transport	(3.980)
-	Strathclyde Concessionary Travel Scheme Joint Committee	-
0.997	Renfrewshire Valuation Joint Board	(1.919)
	Joint Ventures:	
-	Renfrewshire Health and Social Care Intregation Joint Board	-
-	Park Lane Developments (Renfrewshire) Limited Liability Partnership	-
<b>7.274</b>	<b>Aggregate share of other comprehensive (income) and expenditure</b>	<b>(14.805)</b>
<b>2.570</b>	<b>Aggregate share of total comprehensive (income) and expenditure</b>	<b>(18.412)</b>

#### 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:

2016-2017		2017-2018	
£m		£m	
0.259	Grants made by the Paisley, Renfrew and Johnstone Common Good Funds to Renfrewshire Council in contribution towards the funding of community events and projects	1.472	
0.063	Governance costs charged to the Paisley, Renfrew and Johnstone Common Good Funds by Renfrewshire Council	0.064	
(0.021)	Interest income received from Renfrewshire Council by the Paisley, Renfrew and Johnstone Common Good Funds	(0.020)	
-	Interest income received from Renfrewshire Council by the charitable trusts administered by Renfrewshire Council	-	
(9.199)	Service charge payable by Renfrewshire Council to Renfrewshire Leisure Limited	(9.688)	
-	Charges for services, such as accounting and administration, payable by Renfrewshire Leisure Limited to Renfrewshire Council	-	
<b>(8.898)</b>	<b>Total adjustments between group accounts and council accounts</b>	<b>(8.172)</b>	

### Note G6 Group financing and investment income and expenditure

2016-2017		2017-2018	
£m		£m	
20.806	Interest payable and similar charges	20.399	
7.529	Pensions net interest expense	8.932	
(1.179)	Interest receivable and similar income	(0.993)	
(0.427)	Income and expenditure in relation to investment properties and changes in their fair values	(0.454)	
(1.149)	Other investment income	(0.646)	
(1.373)	Net (surplus) or deficit on trading operations	(1.293)	
<b>24.207</b>	<b>Total financing and investment income and expenditure</b>	<b>25.945</b>	

### Note G7 Usable reserves

Usable reserves are those reserves the council's group 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 **group movement in reserves statement**, however a summary is shown below.

2016-2017		2017-2018	
£m		Note	£m
48.726	General Fund Balance	7	45.208
9.811	Housing Revenue Account Balance	7	6.807
2.857	Revenue statutory funds	7	2.858
7.631	Capital Receipts Reserve	7	7.617
81.508	Capital statutory funds	7	86.917
23.301	Paisley, Renfrew and Johnstone Common Good Funds: unrestricted funds		22.592
0.365	Charitable trusts administered by Renfrewshire Council: usable balances		0.355
0.494	Renfrewshire Leisure Limited: usable reserves		0.334
1.322	Renfrewshire Integration Joint Board		0.465
<b>176.015</b>	<b>Total usable reserves</b>		<b>173.153</b>

### Note G8 Unusable reserves

Unusable reserves are those reserves that the council is not able to utilise to provide services. Included within the group's unusable reserves are the unusable reserves of the Paisley, Renfrew and Johnstone Common Good Funds and of the sundry trusts administered by Renfrewshire Council; also included is the council's share of the reserves of the associates and joint ventures within the council's group.

2016-2017			2017-2018	
£m		Note	£m	
395.818	Revaluation Reserve	8	471.731	
0.506	Available for sale Financial Instruments Reserve	8	0.459	
556.829	Capital Adjustment Account	8	567.159	
(13.904)	Financial Instrument Adjustment Account	8	(13.415)	
(334.890)	Pension Reserve	8	(160.466)	
(7.112)	Employee Statutory Adjustment Account	8	(7.324)	
3.900	Paisley, Renfrew and Johnstone Common Good Funds: available for sale financial instruments reserve		3.412	
8.129	Paisley, Renfrew and Johnstone Common Good Funds: revaluation reserve		9.413	
0.287	Charitable trusts administered by Renfrewshire Council: revaluation reserve		0.277	
-	Renfrewshire Leisure Limited: revaluation reserve		-	
(7.965)	Renfrewshire Leisure Limited: pension reserve		(1.079)	
-	Park Lane Development (Renfrewshire) Limited Liability Partnership : revaluation reserve		(3.321)	
	<i>Renfrewshire Council's share of the reserves of the associates and joint ventures within the group:</i>			
15.035	Strathclyde Partnership for Transport		26.329	
0.132	Strathclyde Concessionary Travel Scheme Joint Committee		0.122	
(2.692)	Renfrewshire Valuation Joint Board		(0.964)	
1.425	Renfrewshire Integration Joint Board		1.256	
(1.781)	Park Lane Developments (Renfrewshire) Limited Liability Partnership		-	
<b>613.717</b>	<b>Total unusable reserves</b>		<b>893.589</b>	

**Note G9 Property, Plant and Equipment**

2017-2018	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Assets under construction	Surplus assets	Total property, plant and equipment	Of which funded by PPP
	£m	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount at 1 April 2017	487.605	323.405	467.730	289.013	44.504	36.329	<b>1,648.586</b>	100.183
Assets reclassified (to) or from the "held for sale" category	0.145	-	-	-	-	-	<b>0.145</b>	-
Other asset reclassifications	-	11.104	24.461	-	(38.381)	2.816	-	-
Additions	6.192	7.849	13.004	9.113	31.432	-	<b>67.590</b>	1.082
Disposals	(0.409)	(3.958)	(4.386)	-	(0.105)	(0.080)	<b>(8.938)</b>	-
Revaluation increases or (decreases) recognised in other comprehensive income and expenditure and taken to the Revaluation Reserve	29.413	(17.727)	25.366	-	-	(8.704)	<b>28.348</b>	-
Revaluation increases or (decreases) recognised in the surplus or deficit on the provision of services	-	(19.030)	(4.569)	-	-	(1.546)	<b>(25.145)</b>	-
<b>Gross carrying amount at 31 March 2018</b>	<b>522.946</b>	<b>301.643</b>	<b>521.606</b>	<b>298.126</b>	<b>37.450</b>	<b>28.815</b>	<b>1,710.586</b>	<b>101.265</b>
Accumulated depreciation (including accumulated impairment losses) at 1 April 2017	0.000	46.806	183.263	129.602	-	11.814	<b>371.485</b>	4.482
Assets reclassified (to) or from the "held for sale" category	0.005	-	-	-	-	-	<b>0.005</b>	-
Depreciation on other reclassifications	-	(0.229)	(0.882)	-	-	1.111	-	-
Depreciation charge for the year	16.254	7.143	33.129	5.983	-	0.107	<b>62.616</b>	3.601
Depreciation and impairment on disposals	(0.018)	(1.404)	(4.600)	-	-	(0.074)	<b>(6.096)</b>	-
Depreciation written out to the Revaluation Reserve	(16.241)	(21.150)	(18.021)	-	-	(7.824)	<b>(63.236)</b>	-
Depreciation written out to the surplus or deficit on the provision of services	-	(11.637)	(4.160)	-	-	(0.884)	<b>(16.681)</b>	-
Impairment losses recognised or reversed in other comprehensive income and expenditure and taken to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses recognised in the surplus or deficit on the provision of services	-	-	-	-	-	-	-	-
<b>Accumulated depreciation (including accumulated impairment losses) at 31 March 2018</b>	<b>0.000</b>	<b>19.529</b>	<b>188.729</b>	<b>135.585</b>	<b>-</b>	<b>4.250</b>	<b>348.093</b>	<b>8.083</b>
<b>Balance sheet net carrying amount at 31 March 2018</b>	<b>522.946</b>	<b>282.114</b>	<b>332.877</b>	<b>162.541</b>	<b>37.450</b>	<b>24.565</b>	<b>1,362.494</b>	<b>93.182</b>
<b>Balance sheet net carrying amount at 1 April 2017</b>	<b>487.605</b>	<b>276.599</b>	<b>284.467</b>	<b>159.411</b>	<b>44.504</b>	<b>24.515</b>	<b>1,277.101</b>	<b>95.701</b>

2016-2017	Council dwellings	Other land and buildings	Vehicles, plant, furniture and equipment	Infrastructure assets	Assets under construction	Surplus assets	Total property, plant and equipment	Of which funded by PPP
	£m	£m	£m	£m	£m	£m	£m	£m
Gross carrying amount at 1 April 2016	471.202	318.788	445.922	276.438	15.028	37.832	<b>1,565.210</b>	87.335
Assets reclassified (to) or from the "held for sale" category	(0.723)	-	-	-	-	(0.218)	<b>(0.941)</b>	-
Other asset reclassifications	-	(0.873)	2.601	0.373	(1.977)	0.094	<b>0.218</b>	-
Additions	3.602	2.984	10.512	12.202	32.422	-	<b>61.722</b>	1.059
Disposals	(5.470)	(1.734)	(1.952)	-	(0.969)	(1.519)	<b>(11.644)</b>	-
Revaluation increases or (decreases) recognised in other comprehensive income and expenditure and taken to the Revaluation Reserve	18.994	1.090	11.474	-	-	0.184	<b>31.742</b>	8.049
Revaluation increases or (decreases) recognised in the surplus or deficit on the provision of services	-	3.150	(0.827)	-	-	(0.044)	<b>2.279</b>	3.740
<b>Gross carrying amount at 31 March 2017</b>	<b>487.605</b>	<b>323.405</b>	<b>467.730</b>	<b>289.013</b>	<b>44.504</b>	<b>36.329</b>	<b>1,648.586</b>	<b>100.183</b>
Accumulated depreciation (including accumulated impairment losses) at 1 April 2016	0.000	46.332	164.159	123.938	-	11.685	<b>346.114</b>	9.771
Assets reclassified (to) or from the "held for sale" category	(0.024)	-	-	-	-	-	<b>(0.024)</b>	-
Depreciation on other reclassifications	-	(0.320)	0.312	-	-	0.008	-	-
Depreciation charge for the year	15.707	6.609	34.933	5.664	-	0.126	<b>63.039</b>	3.192
Depreciation and impairment on disposals	(0.182)	(0.486)	(1.932)	-	-	(0.023)	<b>(2.623)</b>	-
Depreciation written out to the Revaluation Reserve	(15.501)	(2.519)	(13.436)	-	-	(0.016)	<b>(31.472)</b>	(6.791)
Depreciation written out to the surplus or deficit on the provision of services	-	(2.531)	(0.510)	-	-	(0.017)	<b>(3.058)</b>	(1.690)
Impairment losses recognised or reversed in other comprehensive income and expenditure and taken to the Revaluation Reserve	-	-	-	-	-	-	-	-
Impairment losses recognised in the surplus or deficit on the provision of services	-	(0.279)	(0.263)	-	-	0.051	<b>(0.491)</b>	-
<b>Accumulated depreciation (including accumulated impairment losses) at 31 March 2017</b>	<b>0.000</b>	<b>46.806</b>	<b>183.263</b>	<b>129.602</b>	<b>-</b>	<b>11.814</b>	<b>371.485</b>	<b>4.482</b>
<b>Balance sheet net carrying amount at 31 March 2017</b>	<b>487.605</b>	<b>276.599</b>	<b>284.467</b>	<b>159.411</b>	<b>44.504</b>	<b>24.515</b>	<b>1,277.101</b>	<b>95.701</b>
<b>Balance sheet net carrying amount at 1 April 2016</b>	<b>471.202</b>	<b>272.456</b>	<b>281.763</b>	<b>152.500</b>	<b>15.028</b>	<b>26.147</b>	<b>1,219.096</b>	<b>77.564</b>

## Note G10 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 comprehensive income and expenditure statement**:

2016-2017		2017-2018	
£m		£m	
(0.427)	Rental income from investment properties	(0.488)	
-	Direct operating expenses arising from investment property		
<b>(0.427)</b>	<b>Net (gain) or loss</b>	<b>(0.488)</b>	

There are no restrictions on the council's or the common good funds' ability to realise the value inherent in their investment property or on the council's or the common good funds' right to the remittance of income and the proceeds of disposal. Neither the council nor the common good funds have any contractual obligations to purchase, construct or develop investment property, nor do they 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:

2016-2017		2017-2018	
£m		£m	
<b>2.670</b>	<b>Opening Balance at 1 April</b>	<b>2.297</b>	
-	Additions	-	
(0.217)	Assets reclassified (to) or from the "held for sale" category	-	
-	Disposals	-	
(0.032)	Net gains or (losses) from fair value adjustments	(0.028)	
(0.124)	Transfers (to) or from inventories and property, plant and equipment	(0.007)	
-	Other changes	-	
<b>2.297</b>	<b>Closing balance at 31 March</b>	<b>2.262</b>	

## Note G11 Group heritage assets

The movement in the fair value of group heritage assets is as follows:

2016-2017		2017-2018	
£m		Note	£m
<b>39.196</b>	<b>Opening Balance at 1 April</b>		<b>39.196</b>
-	Additions (at cost)		-
-	Assets reclassified (to) or from Community Assets		-
-	Disposals		-
-	Impairment losses		-
-	Revaluations		0.326
<b>39.196</b>	<b>Closing balance at 31 March</b>		<b>39.522</b>

Included in the above are the heritage assets of the Paisley, Renfrew and Johnstone Common Good Funds. These comprise civic regalia and equipment which have been externally valued on a present value insurance basis at £0.219 million as at 31 March 2018 (£0.219 at 31 March 2017). Further information on the heritage assets other than those of the Paisley, Renfrew and Johnstone Common Good Funds can be found at Note 11.

## 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 and the Paisley, Renfrew and Johnstone Common Good Funds have been added.

2016-2017		2017-2018	
£m		£m	£m
16.791	Central government bodies, excluding NHS Scotland		25.288
4.886	Central government bodies: NHS Scotland		3.438
0.356	Other local authorities		0.577
-	Public corporations and trading funds		-
5.785	HM Revenue and Customs		5.092
	<i>Other entities and individuals:</i>		
10.888	Council tax arrears	12.689	
(6.143)	Council tax arrears impairment	(6.915)	
4.745	Council tax arrears net of impairment		5.774
2.244	Rent arrears	2.547	
(1.472)	Rent arrears impairment	(1.497)	
0.772	Rental arrears net of impairment		1.050
25.322	Trade debtors	28.061	
(9.709)	Trade debtors impairment	(10.139)	
15.613	Trade debtors net of impairment		17.922
1.761	Other debtors	1.632	
-	Other debtors impairment	-	
1.761	Other debtors net of impairment		1.632
<b>50.709</b>	<b>Total short term debtors</b>		<b>60.773</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 and the Paisley, Renfrew and Johnstone Common Good Funds have been added.

2016-2017		2017-2018	
£m		£m	
3.669	Central government bodies, excluding NHS Scotland	3.738	
3.709	Central government bodies: NHS Scotland	2.771	
0.485	Other local authorities	0.399	
-	Public corporations and trading funds	-	
6.766	HM Revenue and Customs	6.888	
5.721	Strathclyde Pension Fund and Scottish Public Pensions Agency	6.196	
5.866	Accrued payrolls	8.156	
2.705	PPP finance lease creditors	2.904	
-	Other finance lease creditor	-	
38.174	Other entities and individuals	41.190	
<b>67.095</b>	<b>Total short term creditors</b>	<b>72.242</b>	

### Note G14 Amounts owing and owed 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.

2016-2017		2017-2018	
£m		£m	
	<i>Amounts owing to Renfrewshire Council:</i>		
3.622	Loans	-	
0.247	Other balances	0.345	
<b>3.869</b>	<b>Total amounts owing to Renfrewshire Council</b>	<b>0.345</b>	
	<i>Amounts owed by Renfrewshire Council:</i>		
(0.453)	Loans	(0.363)	
-	Other balances	-	
<b>(0.453)</b>	<b>Total amounts owed by Renfrewshire Council</b>	<b>(0.363)</b>	

## 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**. Those financial instruments that are classified as cash and cash equivalents are not included in this table: Note 20 provides details of these. Additional qualitative information on the various categories of financial instruments can be found at Note 23.

31 March 2017			31 March 2018	
Long-term	Current		Long-term	Current
£m	£m		£m	£m
-	94.379	Loans and receivables - fixed term deposits	7.000	91.238
3.479	-	Available-for-sale financial assets - insurance fund investments	3.531	-
17.392	-	Available-for-sale financial assets - Common Good Fund investments	17.148	-
<b>20.871</b>	<b>94.379</b>	<b>Investments</b>	<b>27.679</b>	<b>91.238</b>
1.219	0.141	Loans and receivables - loans to other entities and individuals	1.118	0.925
1.859	46.319	Loans and receivables - trade receivables	1.374	54.074
<b>3.078</b>	<b>46.460</b>	<b>Debtors</b>	<b>2.492</b>	<b>54.999</b>
(175.197)	(14.049)	Financial liabilities at amortised cost - Public Works Loan Board borrowing	(171.674)	(6.315)
-	(54.745)	Financial liabilities at amortised cost - Non-PWLB borrowing ("market debt")	(20.382)	(34.355)
-	(8.714)	Financial liabilities at amortised cost - borrowing from group entities	-	(5.378)
<b>(175.197)</b>	<b>(77.508)</b>	<b>Borrowing</b>	<b>(192.056)</b>	<b>(46.048)</b>
-	(46.256)	Financial liabilities at amortised cost - trade payables	(3.959)	(48.114)
(77.178)	(2.705)	PFI/PPP and finance lease liabilities	(74.274)	(2.904)
(0.003)	-	Financial guarantees	(0.001)	-
<b>(77.181)</b>	<b>(48.961)</b>	<b>Creditors</b>	<b>(78.234)</b>	<b>(51.018)</b>

Fair value of group financial instruments

The available-for-sale financial assets carried on the **group balance sheet** comprise the council's insurance fund investments, the investments of Renfrewshire Leisure Limited, the investments of the Paisley, Renfrew and Johnstone Common Good Funds and the investments of the charitable trusts administered by Renfrewshire Council. The fair value of these investments equates to the market value of the investments as provided by the council's investment manager, Standard Life Wealth Limited.

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 and Level 2 being quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date. See table below:-

2017-2018						
	Level 1	Level 2	Carrying Value	Level 1	Level 2	Fair Value
Investments	17.148	94.769	<b>111.917</b>	17.148	101.710	<b>118.858</b>
Debtors	0.000	57.491	<b>57.491</b>	0.000	54.277	<b>54.277</b>
Borrowing	0.000	(238.104)	<b>(238.104)</b>	0.000	(346.584)	<b>(346.584)</b>
Creditors	0.000	(129.252)	<b>(129.252)</b>	0.000	(129.252)	<b>(129.252)</b>

Those financial instruments that are classified as cash and cash equivalents are not included in this table: Note 20 provides details of these. 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.

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 on the revaluation of available-for-sale financial assets” in the **group comprehensive income and expenditure statement**.

2017-2018	Financial assets: loans and receivables £m	Available-for- sale financial assets £m	Financial liabilities at amortised cost £m	Total £m
Interest expense (including finance lease interest)	-	-	17.064	<b>17.064</b>
Realised losses on disposal	-	-	-	-
Impairment losses	0.076	-	-	<b>0.076</b>
Fee expense	-	-	-	-
<b>Total expense in the (surplus) or deficit on the provision of services</b>	<b>0.076</b>	-	<b>17.064</b>	<b>17.140</b>
Interest income	(0.795)	-	-	<b>(0.795)</b>
Dividend income	-	(0.792)	-	<b>(0.792)</b>
Other income	(0.001)	(0.182)	-	<b>(0.183)</b>
<b>Total income in the (surplus) or deficit on the provision of services</b>	<b>(0.796)</b>	<b>(0.974)</b>	-	<b>(1.770)</b>
Net (gain) or loss on revaluation	-	0.436	-	<b>0.436</b>
<b>(Surplus) or deficit on the revaluation of available-for-sale financial assets (in other comprehensive income and expenditure)</b>	-	<b>0.436</b>	-	<b>0.436</b>
<b>Net (gain) or loss for the year (in total comprehensive income and expenditure)</b>	<b>(0.720)</b>	<b>(0.538)</b>	<b>17.064</b>	<b>15.806</b>

2016-2017	Financial assets: loans and receivables £m	Available-for- sale financial assets £m	Financial liabilities at amortised cost £m	Total £m
Interest expense (including finance lease interest)	-	-	17.629	<b>17.629</b>
Realised losses on disposal	-	-	-	-
Impairment losses	0.231	-	-	<b>0.231</b>
Fee expense	-	-	-	-
<b>Total expense in the (surplus) or deficit on the provision of services</b>	<b>0.231</b>	-	<b>17.629</b>	<b>17.860</b>
Interest income	(0.868)	-	-	<b>(0.868)</b>
Dividend income	-	(0.722)	-	<b>(0.722)</b>
Other income	(0.004)	(0.639)	-	<b>(0.643)</b>
<b>Total income in the (surplus) or deficit on the provision of services</b>	<b>(0.872)</b>	<b>(1.361)</b>	-	<b>(2.233)</b>
Net (gain) or loss on revaluation	-	(2.089)	-	<b>(2.089)</b>
<b>(Surplus) or deficit on the revaluation of available-for-sale financial assets (in other comprehensive income and expenditure)</b>	-	<b>(2.089)</b>	-	<b>(2.089)</b>
<b>Net (gain) or loss for the year (in total comprehensive income and expenditure)</b>	<b>(0.641)</b>	<b>(3.450)</b>	<b>17.629</b>	<b>13.538</b>



**Renfrewshire**  
Council

Finance and Resources, Renfrewshire House, Cotton Street, Paisley PA1 1JB

Telephone: 0141 618 7364 Fax: 0141 618 7351

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