

Renfrewshire Council

2017/18 Annual Audit Report



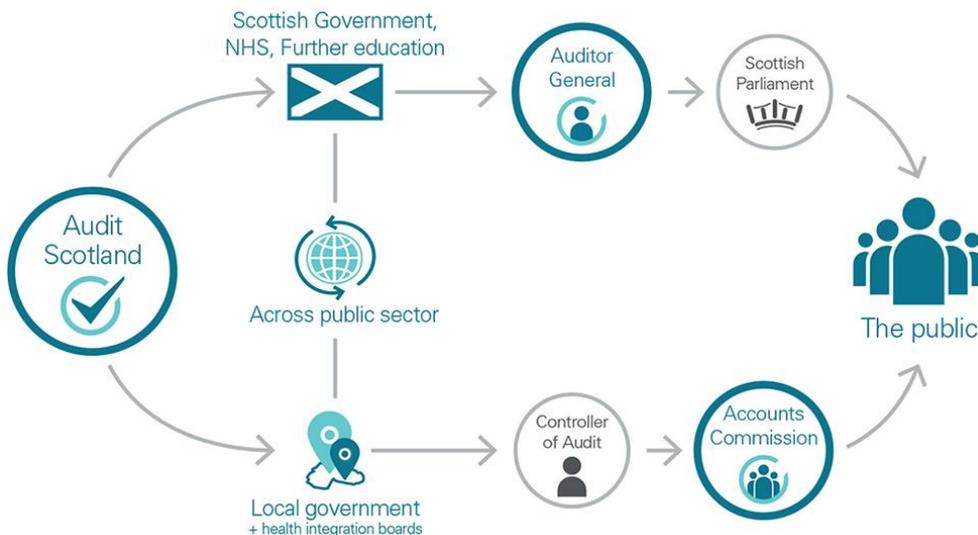
 AUDIT SCOTLAND

Prepared for the Members of Renfrewshire Council and the Controller of Audit
27 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual accounts

- 1** In our opinion, Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared.
- 2** The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.
- 3** The statement of accounts of the section 106 charities administered by the Council are free from material misstatement.
- 4** The Council should implement an updated consolidation process to improve the reporting of unaudited financial information from component bodies to support the preparation of the group accounts.

Financial management

- 5** Financial management is effective with a budget process focussed on the Council's strategic priorities.
- 6** Our testing over significant risk points confirmed that overall controls relating to financial systems and procedures are designed appropriately and operating effectively.
- 7** Our work on payroll highlighted weaknesses in the early identification of staff leaving the organisation resulting in payroll overpayments and delays in the recovery of these.

Financial sustainability

- 8** The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.
- 9** There are medium-term financial plans that are aligned to the Council's strategic priorities and these demonstrate how the Council intends to address future budget challenges.

Governance and transparency

- 10** The Council has appropriate governance arrangements in place that support the scrutiny of decisions that are made.
- 11** The Council is open and transparent in the way it conducts its business. The public can attend meetings of the Council and its standing boards.

Best Value

- 12** The Best Value follow-up audit found the Council is making good progress in addressing the recommendations from the 2016/17 Best Value Assurance Report.
- 13** The Council has several improvement activities working in parallel and these are clearly linked to the Council's priorities and budget setting process.

Introduction

1. This report summarises the findings arising from the 2017/18 audit of Renfrewshire Council and its group (the Council).
2. The scope of the audit was set out in our Annual Audit Plan presented to the 22 January 2018 meeting of the Audit, Risk and Scrutiny Board. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:
 - an audit of the Council and its group 2017/18 annual accounts and the statement of accounts of the section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
 - a review of the Council's key financial systems
 - audit work covering the Council's arrangements for securing Best Value relating to a follow up of the recommendations in the 2016/17 Best Value Assurance Report (BVAR)

- consideration of the four audit dimensions.

4. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

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

7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. We also report on the Council's best value arrangements and in doing this we aim to support improvement and accountability.

8. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#).

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

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

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £340,290 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to Renfrewshire Council by providing insight on financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the Council promote improved standards of governance, better management and decision making and more effective use of resources.

13. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

In our opinion, Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared.

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

The statement of accounts of the section 106 charities administered by the Council are free from material misstatement.

The deadline to submit the WGA consolidation pack for the unaudited accounts was 3 August. The Council has not yet submitted the return to external audit.

The Council should implement an updated consolidation process to improve the reporting of unaudited financial information from component bodies to support the preparation of the group accounts.

Audit opinions on the annual accounts

15. The annual accounts for the Council and its group for the year ended 31 March 2018 were recommended for approval by the Audit, Risk and Scrutiny Board on 25 September 2018. We reported, within our independent auditor's report that, in our opinion:

- financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the guidance.

16. Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The Council and its group annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

Audit opinions on section 106 charities administered by Renfrewshire Council

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

18. The Council has made progress in reducing the number of charitable trusts where it is the sole trustee.

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

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

20. The Renfrewshire Council Trust Fund consist of 4 individual funds:

- Renfrew Burgh Citizens Fund
- Renfrewshire Council Citizens Fund
- Paisley Burgh Citizens Fund
- Coats Observatory Fund.

21. All Trust Fund balances (excluding assets held in the Coats Observatory Fund) were fully disbursed in the 2016/17 financial year and the Renfrew Burgh, Paisley Burgh and Renfrewshire Council Citizens Funds were fully wound up as at 28 March 2018 as agreed by the Office of the Scottish Charity Regulator (OSCR).

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

Submission of the Council and its group annual accounts for audit

23. We received the unaudited annual accounts on 28 June 2018 in line with the audit timetable set out in our [2017/18 Annual Audit Plan](#).

24. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Whole of Government Accounts

25. The deadline to submit the WGA consolidation pack for the unaudited accounts was 3 August. The Council has not yet submitted the return to external audit.

Risk of material misstatement

26. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team and the wider audit dimension risks identified.

Materiality

27. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The

assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

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

29. On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1 per cent of gross expenditure for the year ended 31 March 2018.	£7.537 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement, we have calculated performance materiality at 60 per cent of overall materiality.	£4.522 million
Reporting threshold – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This is calculated as 2.5% of planning materiality.	£0.188 million

Source: Annual Audit Plan 2017/18

How we evaluate misstatements

30. It is our responsibility to request that all errors above the reporting threshold are corrected although the final decision on this lies with those charged with governance considering advice from senior officers and materiality.

31. There was a significant adjustment to the unaudited accounts relating to the Council share of pension fund assets. This is an issue affecting pension funds, Councils and other public bodies across the country. Further details are included in [Exhibit 3](#). Officers have amended the accounts to reflect a more up to date estimate of pension fund assets.

32. A number of additional errors were noted in excess of the reporting threshold. We agree that these amounts are not material in the context of the financial statements. All other misstatements have been corrected in the audited accounts.

Significant findings from the audit in accordance with ISA 260

33. International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in [Exhibit 3](#).

34. The findings include our views about significant qualitative aspects of the Council's accounting practices including:

- | | |
|---|---|
| • Accounting policies | • Accounting estimates and judgements |
| • Significant financial statements disclosures | • Timing of transactions and the period in which they are recorded |
| • The impact on the financial statements of any uncertainties | • The effect of any unusual transactions on the financial statements |
| • Misstatements in the annual accounts | • Disagreement over any accounting treatment or financial statements disclosure |

Exhibit 3

Significant findings from the audit of the financial statements

Finding	Resolution
<p>1.Pension Scheme Valuation</p> <p>The Council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns. This resulted in pension fund assets reported in the Council's balance sheet being <i>understated</i> by £21.828 million.</p>	<p>The accounts have been adjusted to reflect the Council's share of the pension fund assets based on the latest valuation at 31 March 2018. This has the impact of reducing the pension fund liability and increasing the pension reserve by £21.828 million. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS19, this adjustment does not impact the outturn for the year or the general fund balance.</p>

Good practice in financial reporting

35. The annual report and accounts reflect good practice as set out in Audit Scotland on '[Improving the quality of local authority accounts – expenditure and funding analysis](#)'.

Follow up of prior year recommendations

36. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

37. In total, two agreed actions were raised in 2016/17. Of these:

- one has been partially implemented
- one has not been actioned.

38. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in [Appendix 1](#).

Group consolidation process

39. Renfrewshire Council prepares group accounts that consolidate the financial information of its subsidiaries, associates and joint ventures (component bodies) into a single set of financial statements. To allow the Council to prepare its unaudited accounts for the 30 June statutory deadline, financial information is required from the component bodies.

40. The Council's finance team is responsible for maintaining financial records and preparing the annual accounts for a number of the group components (for example Renfrewshire Valuation Joint Board). Obtaining the required financial information for these is therefore straightforward.

41. For the component bodies that the Council does not have direct access to financial records (for example Renfrewshire Leisure Limited), only high level financial information is provided for the preparation of the unaudited accounts, requiring the Council to make a number of estimates. These are then updated when the component body audited financial statements are available.

42. Historically the changes required by this update have been minor, however the current process increases the risk of error in the accounts and increases the time spent by the Council finance team in processing these changes.

43. Best practice for the preparation of the group accounts requires components to prepare a consolidation schedule detailing the financial information relevant to consolidation at a note level along with the impact of any differing accounting policies.

44. The Council should implement an updated consolidation process to improve the reporting of unaudited financial information from component bodies to support the preparation of the group accounts. [Action Plan \(Appendix 1, Recommendation 1\)](#).

Integration Joint Board

45. For the second year the Council included its share of the financial transactions of Renfrewshire Integration Joint Board (RIJB) within its group financial statements. Our audit testing confirmed that the Council properly identifies transactions that relate to work commissioned by RIJB. Further information regarding the services transferred to RIJB is included in [Part 4 section on Integration of H&SC](#).

Other findings

46. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Objections

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

Part 2

Financial management



Main judgements

Financial management is effective with a budget process focussed on the Council's strategic priorities.

Our testing over significant risk points confirmed that overall controls relating to financial systems and procedures are designed appropriately and operating effectively.

Our work on payroll highlighted weaknesses in the early identification of staff leaving the organisation resulting in payroll overpayments and delays in the recovery of these.

Financial performance in 2017/18

48. In February 2017 the Council approved a budget of £385.650 million for 2017/18. The budget was aligned to the Council's strategic priorities. To inform the budget each directorate produces income and expenditure estimates based on the Service Improvement Plans (SIPs). SIPs outline the activities of each directorate and how these help support the delivery of the Council plan. Amendments during the year resulted in a revised budget of £385.583 million.

49. The Council has a good track record in delivering services within budget over the last 6 years. As at 30 June 2018, there was a year-end underspend forecast of £1.171 million against budget, of which £1.132 million related to late grant funding from Scottish Government intended for 2018/19. Excluding the additional funding, the year end position is effectively an underspend of £0.039 million. This is in line with the annual budget and expected expenditure information submitted to the Scottish Government.

50. The underspend against budget takes into account a budgeted drawdown on reserves of £3.518 million. During 2017/18 there was a discretionary transfer of £7.226 million from the general fund to the capital statutory fund. (see paragraph 95).

51. While the Council's spending has remained in line with its overall budget, there have been some variations in how different services have performed. The only significant over-recovery is summarised in [Exhibit 4](#).

Exhibit 4

Summary of significant under / overspends against budget

Area	Under/over spend (£m)	Reason for variance
Underspends/Over-Recovery		
Council Tax Income	£1.093	96% of Council tax income was recovered 2017/18, greater than estimated in the budget.

Source: Renfrewshire Council 2017/18 Annual Accounts

52. Overall, the Council's budget setting and monitoring arrangements are adequate. We noted in our [May 2018 management report](#) that the Council could improve the transparency of its budget reporting by outlining budget changes from the prior period in each finance report.

Housing revenue account

53. The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year: average weekly rent was £75.14 in 2017/18.

54. The HRA recorded expenditure in 2017/18 of £55.291 million (2016/17: £55.774 million). Overall the HRA recorded a breakeven position in 2017/18 against budget for the year. Earmarked reserves of £3.004 million were utilised 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. The HRA retains a positive balance of £6.807 million.

Efficiency savings

55. With reduced funding from government and increased demand for financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

56. The Council achieved its planned savings of £19.815 million in 2017/18, primarily through debt smoothing (£17.410 million). The remaining savings were achieved through service changes from the Better Council Change Programme (BCCP) or through service level changes.

57. The 2017/18 annual efficiency statement presented to the Finance, Resources & Customer Services Policy Board in June 2018 reported that Renfrewshire Council achieved cash savings of £3.116 million for the financial year.

58. The BCCP consists of a range of service redesign projects which are closely monitored by the Corporate Management team to ensure they progress as planned, risks are highlighted and remedial action can be taken early if required.

59. As noted in paragraph 83, while the Council achieved its savings targets for 2017/18, there is reducing scope to rely on debt smoothing in the future which will result in the Council placing greater reliance on transformational change to generate savings.

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

Capital programme 2017/18

60. Renfrewshire Council approved a capital budget of £95.9 million for 2017/18 in February 2017, this was split between non-housing projects (£76.0 million) and housing (£19.9 million).

61. Total capital expenditure in 2017/18 was £67.463 million. The main projects were:

- St John Bosco and Bargarran Primary School (£10.768 million)
- St Paul's Primary School and Foxlea Nursery (£4.904 million)
- Roads/Footways Upgrade Programme (£6.310 million)
- Glasgow Airport Investment Area (City Deal, £4.430 million)
- Clyde Waterfront & Renfrew Riverside (City Deal, £2.084 million)
- ERP project (£1.854 million).

62. Non-housing capital spend was £17.987 million (23%) below budget. The housing revenue account (HRA) actual spend was £8.949 million (45% of initial budget). The Council has a history of underspends in its capital programme as outlined in [Exhibit 5](#) some related to slippage on projects while a proportion also relates to the reprofiling of spend within original planned timescales and project underspends.

63. Over the course of 2017/18 the Council adjusted budgets to reflect changes in the spend profile of major capital projects. The majority of these adjustments were made with no anticipated change in the completion date of the relevant project; however a small number of project completion dates have slipped. The most significant variances were:

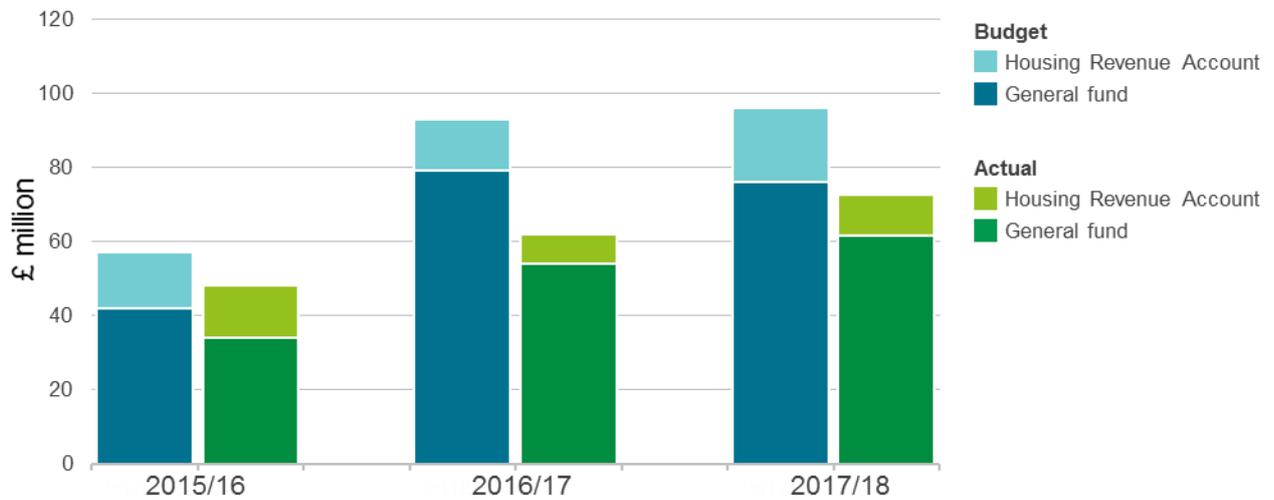
- £4.318 million of spend was planned on Ferguslie Outdoor Regional Sports Facility, however there was no spend in 2017/18. This project has been delayed following a decision by the Council to consider alternative options for sports facilities in this area
- £6.000 million of spend was planned on Venue Development & Backlog Maintenance, however there was no spend in 2017/18. The capital budget for this project has been added to a wider investment plan into Paisley town centre, which is scheduled to commence in 2018/19.

64. All unspent capital funds have been retained for capital spending in future periods.

65. The Council should ensure that the capital budgets set are as accurate as possible and are achievable.

Exhibit 5

Capital slippage compared to budget (general fund and HRA)



66. Capital expenditure in 2017/18 was funded largely through borrowing (£30.472 million) and capital grants (£27.588 million) with the remainder a mixture of asset sales and revenue funding.

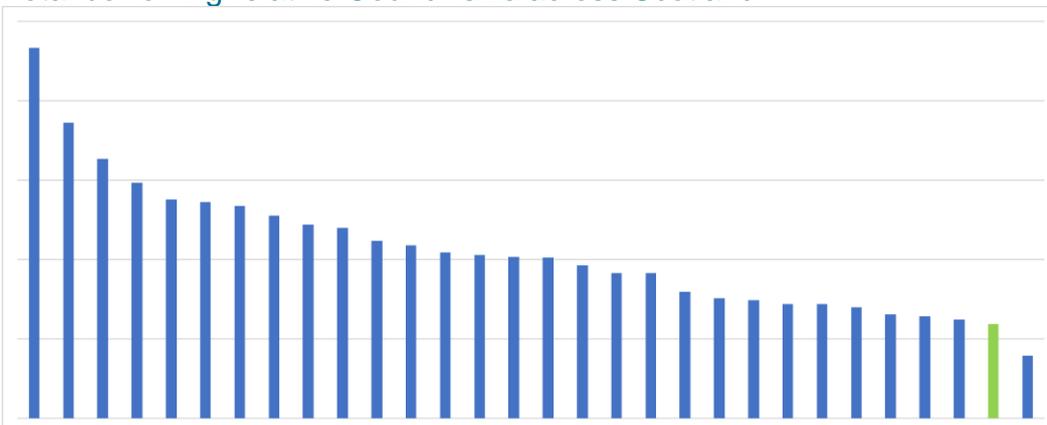
Borrowing in 2017/18

67. The Council's outstanding loans at 31 March 2018 were £305 million, a decrease from £319 million in 2016/17. No additional borrowing was undertaken in the year. A total of £11.212 million of scheduled repayments were made during 2017/18, which were financed through general reserves.

68. Overall, Renfrewshire Council continues to have comparatively low levels of debt relative to other Councils in Scotland ([Exhibit 6](#)).

Exhibit 6

Total borrowing relative Council size across Scotland



69. The Council's loan debt includes £52.916 million of loans using Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan.

70. The Council's LOBO debt consists of five loans taken out between 2002/03 and 2003/04. We reviewed supporting papers including an analysis of the LOBOs held by the Council and comparable PWLB rates of interest and the Council's treasury management policies and controls.

71. Based on our audit work we concluded that:

- the use of LOBOs has been undertaken in line with the Council's treasury management policy, and reviewed and approved annually by Councillors
- of the five LOBOs, all have a lower lifetime average interest rate than the equivalent duration PWLB rate available at the time the loan was taken out.

Budgetary process

72. The [Local government in Scotland: Financial overview 2016/17](#) (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on. We noted that the Council's budget and savings plan is aligned to the Council priorities as set out in its Council Plan. This is consistent with good practice.

73. During the 2017/18 financial year, each Policy Board scrutinised revenue and capital monitoring reports for services relevant to that Policy Board, and in addition the Finance, Resources and Customer Services Policy Board received Council-wide revenue and capital monitoring overview reports. We noted in our May 2018 management report that the Council could improve the transparency of its budget reporting by outlining budget changes from the prior period in each finance report. Reports now include this information. Overall, the Council's budget setting and monitoring arrangements are adequate.

Systems of internal control

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

75. Our findings were included in a management report that was presented to the Audit, Risk and Scrutiny Board in May 2018. We concluded in general, appropriate and effective arrangements were in place for accounts receivable, accounts payable and bank reconciliations. Areas where existing controls could be improved were included in the action plan which we will follow up as part of our 2018/19 audit.

76. In our 2016/17 Annual Audit Report we highlighted that our review of payroll noted that 96 staff members who left during 2016/17 (approximately 10% of total leavers) were overpaid after their employment ceased. The total value of these overpayments was £0.133 million.

77. As part of our 2017/18 payroll systems review we undertook specific audit work to review the controls in place to prevent payroll overpayments. We reported a number of issues as a result of this work as summarised below:

- between April 2015 and February 2018 there has been 806 cases of overpayment to employees with a value of £812,876
- the recovery of overpayments takes on average more than 3 months, with some repayment plans currently lasting up to 5 years
- errors and omissions in the payroll data provided.

Part 3

Financial sustainability



Main judgements

The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.

There are medium-term financial plans that are aligned to the Council's strategic priorities and these demonstrate how the Council intends to address future budget challenges.

Financial planning

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

79. The 2016/17 BVAR noted that the Council is continuing to review how it will achieve the savings required within the medium-term financial strategy. It recommended that the Council should prioritise how services need to be provided in future to meet these savings.

80. Renfrewshire Council has a strong focus on financial planning. In addition to preparing an annual budget, the Council also creates a 3-year plan in the form of a Financial Outlook Report.

81. The Financial Outlook Report 2017/18 – 2019/20 was presented to the Leadership Board in December 2017 and highlighted that savings of approximately £17 million to £24 million would be required each financial year for the two years following the report. The estimated savings requirement was reduced to £10.298 million in the 2018/19 budget proposal due to higher than anticipated grant funding from the Scottish Government. This is expected to continue into 2019/20, where the funding requirement was estimated to be in the region of £12 million, with a return to more significant funding challenges in the following years.

82. It is recognised that this continues to be underpinned by forecasting assumptions, in respect to future grant reductions and pay growth, but nevertheless represents significant positive progress in addressing the underlying scale of the financial challenge. An updated medium term financial strategy will be presented over the course of 2018 along with further phases of the change and transformation programme.

83. The Council recognises that, despite the reduction in required savings in the medium term, in order to manage future budget pressures, it will need to make significant changes in how it delivers services.

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

Funding position

84. The Council approved its 2018/19 budget in March 2018. The budget was set at £392.446 million, which corresponds to available funding, including the £1.132 million provided by the Scottish Government in 2017/18 for the 2018/19 financial year.

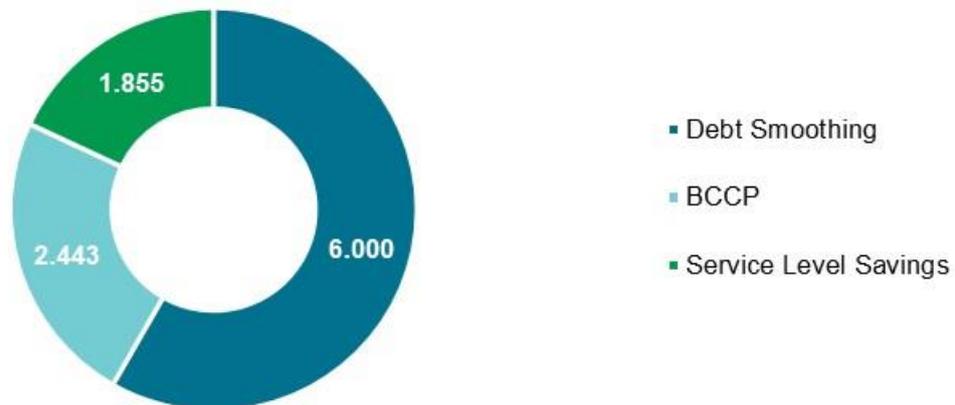
85. The Council is facing a number of challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing costs of service provision and reductions in central government funding.

86. In recent years the Council has achieved a significant portion of its savings through its Debt Smoothing Strategy. With the increase in interest rates and early repayment fees there is less scope for additional savings through this approach in the future, the Council will be required to reduce costs in other ways. This shift has already begun, with debt smoothing savings reducing from £17.410 million in 2017/18.

87. As noted in paragraph 80, the 2018/19 budget incorporates £10.298 million of anticipated savings. These are planned to be achieved from debt smoothing (£6.0 million), efficiencies delivered by Better Council Change Plan (£2.443 million) and service level savings (£1.855 million) as illustrated in Exhibit 7.

Exhibit 7

Planned savings for 2018/19 (£10.298million)



New Financial Powers

88. Proposals have been made for changes to the Scottish Budget process, with these likely to be introduced for the 2019/20 budget. A [Scottish Government Fiscal Outlook - Medium Term Financial Strategy update report](#) was presented to the Council in June 2018 and highlighted the potential impact that this could have for future funding. It highlights that the Scottish Government's Medium Term Financial Strategy (MTFS) confirmed its spending priorities are in health, police, early learning and childcare, attainment, higher education, and social security. The financial strategy update report to members highlighted that funding from these priority areas is forecast to increase from 56% in 2019/20 to 64% in 2022/23.

89. When setting the 2018/19 budget and projecting for the following four years, the Council took the view that the impact of new financial powers and other economic forecasts indicate a challenging financial environment.

90. Overall, we concluded that the Council is facing a challenging situation in the short term. Rising costs, ending of the public sector pay cap combined with small increases in funding and dependency on efficiency savings will make it difficult to achieve financial balance.

91. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and New Financial Powers and future funding settlements. The Council needs to consider and plan for these events using all the information it has at its disposal.

92. It is proposed that an updated Financial Outlook report will be presented to members in the Autumn in advance of the national Budget announcements and informed by greater detailed information secured from the Government potentially in relation to some of the high level information published in the MTFS in relation to local government core grant prospects.

Reserves

93. One of the key measures of the financial health of a local authority is the level of reserves held. Renfrewshire Council has increased its reserves each year since 2013/14 and has a high level of reserves in comparison to most other Councils in Scotland, as shown in [exhibit 8](#). The majority of reserves funds are statutory or ring-fenced and aligned to future spending plans and strategic objectives.

94. The level of usable reserves held by the Renfrewshire Council decreased by £1.126 million from £150.533 million in 2016/17 to £149.407 million in 2017/18. The most significant movements contributing to the decrease 2017/18 in reserves were:

- an increase of £5.043 million in the investment capital fund, which is maintained to fund future capital spend and the repayment of loans. The increase was funded from contributions from the general fund
- a decrease of £3.518 million in the general fund reserve balance due to a transfer to the investment capital fund (£7.226 million).

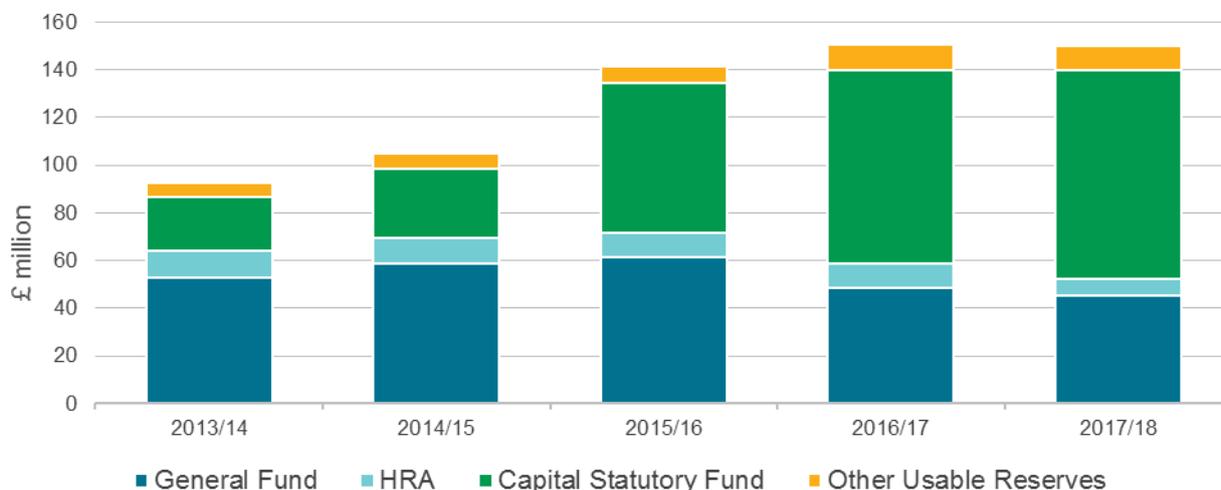
95. Other than the investment capital fund, which is being maintained for future capital investment and future loan payments, the general fund reserve is the largest reserve (£45.208 million). Although the general fund reserve has no restrictions on its use, £36.982 million has been ring-fenced for future expenditure plans. The remaining £7.094 million is maintained to provide a contingency fund to meet unexpected expenditure. The Council received £1.132 million of funding relating to 2018/19 before 31 March 2018, this has been included within the general fund.

96. The Council reviews the level of its uncommitted reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be between 1% and 2% of net revenue and not be lower than £7 million. The level of uncommitted general fund reserves as at 31 March 2018 was £7.094 million (1.8% of net revenue), which is within the limits set out by the strategy.

97. As shown in [Exhibit 8](#), the Council's useable reserves have increased significantly over the past five years, mostly due to net transfers into the capital statutory fund. The capital statutory fund is maintained to provide for future capital projects and the repayment of loans.

Exhibit 8

Analysis of useable reserves over last five years



Source: Audited Accounts 2013/14 – 2017/18

City Deal projects

98. The £1.13 billion Glasgow City Region City Deal (GCRCD) is an agreement between the UK Government, the Scottish Government and eight local authorities across the Glasgow City Region. Renfrewshire Council is the lead authority on three City Deal infrastructure projects with funding of £274 million.

- **The Glasgow Airport Investment Area Project (GAIA £39.1 million)** will deliver a new bridge across the White Cart and new cycle routes; all aimed at improving connections between the Westway and Airport Business Parks. The GAIA works will act as an enabler for the delivery of an internationally recognised district for innovation, research and manufacturing – The Advanced Manufacturing Innovation District Scotland (AMIDS). The project has already attracted major investments including:
 - Lightweight Manufacturing Centre (LMC)
 - National Manufacturing Institute for Scotland (NMIS) £65 million
 - Medicines Manufacturing Innovation Centre (MMIC) £56 million.
- The procurement process for the GAIA enabling infrastructure works are underway and are due to be awarded towards the end of 2018 with a view to being out on site early 2019.
- **The Clyde Waterfront and Renfrew Riverside Project (CWRR - £90.7 million)** includes the construction of a new opening bridge across the River Clyde, which will accommodate vehicles, pedestrians and cyclists, and the construction of the Renfrew North Development Road to better link communities and businesses on both sides of the river. The CWRR planning application is currently with the Scottish Ministers for determining on behalf of the three local authorities (Renfrewshire Council, West Dunbartonshire Council and Glasgow City Council), a decision is anticipated in the coming months. Thereafter the procurement process for the design & construction of the project works will begin. On current estimated plans (which assumes a positive planning decision in the coming months), construction will begin late

2019 / early 2020 and be completed by 2022. Any delay to the planning determination will impact on these timescales.

- **The Airport Access Project** (AAP - £144.3 million), due to its importance to the overall Infrastructure Fund Programme, is designated as one of only two 'regional' projects in the programme. The project is being jointly delivered by Renfrewshire Council and Glasgow City Council. The project aims to deliver a new direct rail link between Glasgow Airport and Glasgow Central Station. This project is at an early stage of development, the project team are currently working with key stakeholders to develop proposals, construction is expected to start in 2022 with operation of services expected in 2025.

Business transformation

99. Audit Scotland's [Local government in Scotland – challenges and performance 2018](#) (April 2018) highlighted that transformational change is essential to ensure that local authorities respond to the future funding gaps they are projecting.

100. The Council implemented its transformation change programme, the Better Council Change Programme (BCCP) in 2014/15. It is a key element of supporting the delivery of sustainable budget savings which contribute to addressing the medium-term objective to reduce the Council's cost base and close the budget gap whilst supporting the release of resources to support investment in priority areas aligned to the Council's key strategic outcomes.

101. The current BCCP programme includes a number of separate programmes to redesign services and deliver efficiencies over the period 2017/18 – 2022/23. Significant projects include:

- Digital First – a project to reduce non-essential contacts with customers by improving digital customer experience.
- Enterprise Resource Planning (ERP)- this project is intended to combine finance, HR, payroll and procurement systems into a single integrated application. Implementation of ERP began in July 2016, with go-live originally scheduled for April 2017. The implementation of ERP has been delayed and now has a target go live date of October 2018, following the approval of an additional investment of £0.800 million. The project is expected to initially provide £0.500 million of savings.

102. The Council has implemented and embedded a transformational change programme that is aligned to its strategic objectives. The BCCP should continue to be monitored to ensure that both the pace and level of change are in line with the future requirements of the Council.

Workforce planning

103. Audit Scotland's [Local government in Scotland – challenges and performance 2018](#) (April 2018) report highlighted the need to plan and manage reductions to Council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.

104. The report noted that reducing staff numbers has been one of the main ways Councils have reduced their spending and, in some Councils, this is set to continue. Given the changes in workforce to date and the expected new demands on Councils, robust workforce planning is essential to ensure Councils have the right people, with the right training and skills, to deliver their priorities. However, not all Councils have organisation-wide workforce plans and the quality of these varies.

105. The report further advises Councils to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans.

106. The BVAR, published in August 2017, reported that the Council did not have a strategic workforce plan in place and the Council recognised that it needed to fully develop its workforce planning approach over the longer term and action has been taken to address this.

107. The Council has made good progress in developing the workforce planning arrangements. The Council's Workforce Plan was approved by the Finance, Resources and Customer Service Policy Board in November 2017. In addition, service level workforce plans have been prepared by all service departments.

108. The medium to long term Organisational Development strategy has been implemented and the strategic workforce plan is being rolled out. The Council is continuing to focus on embedding effective workforce plans, organisational development and performance management.

109. Human Resources (HR) are working with service departments to ensure that the strategic workforce plans at both a Corporate and service/directorate level are meeting the organisational needs of the Council. The strategy aims to deliver improved and sustainable performance through a modernised, agile, resilient, skilled, developed and flexible workforce.

110. The Council has improved its training and development opportunities for employees, with the launch of the managerial and leadership development programmes in June 2017 with over 150 delegates in attendance, across middle and senior management groups. Feedback from attendees and their line managers has been positive and the impact is being assessed through line management one to ones, supported by the Organisational Development (OD) team.

111. The revised People Development Review (PDR) programme is in its final development stage following a process of stakeholder engagement. This was presented to CMT at the beginning of January 2018. Following board approval, HR will roll out the programme to managers and staff through a series of briefing sessions and online tools with the aim to go live with the roll out of Business World.

Ending of public sector pay cap

112. The ending of the public sector pay cap means annual pay increase for Council employees will no longer be limited to 1%. The Council's 2018/19 budget contains provision for pay increases in line with the Scottish Government public sector pay statement.

EU withdrawal

113. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

114. The Council are aware of the potential risks and have reflected on these areas. Until the impact of Brexit becomes clearer, the Council do not consider they are immediately or significantly exposed to these risks. The Council considers that

its use of EU funding is relatively low and, while the Council has received the European Regional Development Fund (ERDF) funding, there are guarantees in place from the UK government regarding all existing projects. Future funding and projects not yet committed to could be impacted, however the Council will actively engage in consultation from the UK Government on successor arrangements such as the recent proposals around UK Prosperity Fund.

Part 4

Governance and transparency



Main Judgements

The Council has appropriate governance arrangements in place that support the scrutiny of decisions that are made.

The Council is open and transparent in the way it conducts its business and the public can attend meetings of the Council and its standing boards.

The Council has established a Cross Party Sounding Board to provide for cross-party discussion on non-partisan/non-political issues. The Board has met on a number of occasions to discuss topics in advance of full Council approval.

Governance arrangements

115. The Council has a board structure in place which is underpinned by clear roles for members and officers; and procedural documentation regarding decision making. The Council's decision and delegation arrangements, and its organisational structure are regularly reviewed and updated to ensure they continue to support its key priorities.

116. We attended all Audit, Risk and Scrutiny Board meetings; Finance Resources and Customer Services Policy Board meetings; Leadership Board meetings; Council meetings and most Cross Party Sounding Board meetings during 2017/18. The papers provided by officers are of a high standard and provide members with a good overview of the issues being covered, together with more detailed information as appropriate. This helps to ensure that issues are debated at the respective meetings.

117. The Council conducts its main business through the Council meeting, Leadership Board, a number of policy boards and the Audit, Risk and Scrutiny Board. All boards have members from the different political parties in proportion to the Council's political make up. The convenors of all policy boards are members of the administration. The Convener of the Audit, Risk and Scrutiny Board is an opposition member.

118. The Council regularly reviews its governance arrangements to take account of changes to the way that services operate.

Cross Party Sounding Board

119. In our 2016/17 BVAR we noted that cross-party working had been limited. We recommended in the 2016/17 Best Value Assurance Report that Councillors should improve cross-party working, given the financial challenges that exist and the important decisions that will need to be made in future.

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

120. The Cross Party Sounding Board was established following revisions to the Council's governance structures in May 2017. The remit of the Board is to act as a sounding board and discussion forum with no decision-making powers; to provide an opportunity to discuss matters of common interest or of Council-wide relevance; and to provide for cross-party discussion on nonpartisan/non-political issues. The Cross Party Sounding Board has met a number of times since its establishment, in relation to the following areas:

- August 2017: outline Council and Community Plans
- December 2017: review of local governance, specifically relating to the role of local area committees
- February 2018: review of Council's member development programme
- April 2018: review of elected member enquiries process and review of the Scheme for the Establishment of Community Councils
- August 2018: review of Community Level Governance.

Training and development for Councillors

121. In our 2016/17 BVAR we noted that while the Council has provided training, historically Councillors have not made the most of the training and development opportunities available to them.

122. All Councillors were surveyed following the completion of the induction programme provided after the local government elections in May 2017. The Head of Corporate Governance also met with all political group leaders to review the current development training being provided. In February 2018 the Cross Party Sounding Board reflected on member's views on the current programme in more detail and considered further options for improving the current arrangements.

123. In response to the feedback gathered, a member development week was held in mid April 2018. The content and timing were informed by the views of elected members and this included arranging some evening sessions and the greater use of external speakers. Following on from the feedback received for this event a revised annual programme of Councillor development has been produced for 2018 which will include new external speakers, service specific sessions and IT drop-ins.

124. Our review of the register of all training courses run for members during the year identified that there was a mixed level of attendance, including some members who have attended very few of the training courses offered.

125. To ensure that members continue to attend training that is relevant to their role within the Council it would be beneficial for all Councillors to have a personal development plan in place which is reviewed on an annual basis.

Renfrewshire Leisure Limited

126. In our 2016/17 BVAR we recommended that the Council should review its governance arrangements with Renfrewshire Leisure Limited (RLL) to ensure they provide for a relationship that is clear, independent, and more easily understood by the public.

127. In response to this and following an initial review of existing governance arrangements, the Council implemented a number of actions as follows:

- a summary of Renfrewshire Leisure's Business Plan 2018/19 was reported to the Leadership Board in February 2018. Previously the Business Plan was considered by the Board as an exempt paper

- in February 2018 the Leadership Board approved proposals to change the composition of the membership of the Renfrewshire Leisure Board. The two places held by officers from Renfrewshire Council are now occupied by independent representatives
- regular monitoring meetings are held between Renfrewshire Leisure and the Head of Policy and Commissioning. Work is underway to further enhance the reporting of performance information relating to Renfrewshire Leisure. Six monthly internal scrutiny sessions also form part of the monitoring relationship with Renfrewshire Leisure.

128. The Council will continue to review arrangements reflecting on the findings of the Audit Scotland's national report on Councils' use of arms-length organisations [Councils' use of arm's-length organisations](#) to help inform any future changes.

129. Based on our observations and audit work, our overall conclusion is that the governance arrangements within the Council are operating effectively and support good governance and accountability.

Transparency

130. Transparency means that the public have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.

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

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

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

134. Overall, we concluded that the Council conducts its business in an open and transparent manner.

Internal audit

135. Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.

136. The Council's internal audit function is carried out by an in-house team. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit work we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentations standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS).

137. We reviewed the Council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to

determine the extent we could rely on the work of internal audit. We placed reliance on their work on non domestic rates regarding our audit of the Council's financial statements and we placed formal reliance on internal audit's work as part of our wider dimension work for NFI arrangements.

138. Internal Audit report progress of the work contained in their annual audit plan to each meeting of the Audit, Risk and Scrutiny Board. In the Internal Audit Annual Report 2017-18 presented to the Board in May 2018, Internal audit completed 93% of the 2017/18 plan against a target of 95% and provided assurance on the Council's overall framework of control for the year to 31 March 2018.

Management commentary, annual governance statement and remuneration report

139. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires Councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

140. Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

National Fraud Initiative

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

142. NFI activity is summarised in [Exhibit 9](#). This covers the latest NFI review which covered 2016/17 matches and was completed in February 2018. The NFI secure website lists a total of 6,356 data matches for this review with 1,476 of these classed as 'recommended' matches (high risk) for investigation.

Exhibit 9 NFI activity



6,356

Matches



1,476

Recommended for
investigation



824

Completed/closed
investigations

Source: NFI secure website: www.nfi.gov.uk

143. The Council completed investigations for 824 'core' matches, identifying 3 instances of fraud and 1 error. The Internal Audit Annual Report was presented to the Audit Committee in May 2018 which summarised the NFI activity carried out to date. The Chief Internal Auditor, who is responsible for directing and reviewing NFI work, continues to co-ordinate and support the work of key officers involved in investigating or re-checking matches.

144. From work carried out and through discussion with key officers involved in the process, we concluded that the Council are engaged with the NFI exercise. Investigation of recommended matches is good and appropriate action has been taken in cases where fraud is alleged. Periodic update reports are presented to the Audit Committee therefore members are kept informed of progress towards completing investigations and are aware of the amounts of any frauds or errors identified.

Standards of conduct for prevention and detection of fraud and error

145. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

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

Cyber security

147. The Scottish Government issued a [Public Sector Action Plan on Cyber Resilience](#) in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.

148. We concluded that the Council is actively strengthening its cyber resilience arrangements, completed its Cyber Essentials pre-assessment by 31 March and has secured PSN accreditation.

149. The Council achieved Cyber Essentials accreditation in March 2018. Cyber Essentials is a scheme sponsored by the National Cyber Security Centre that aims to guard against the most common cyber threats and demonstrate commitment to cyber security. This accreditation will be reviewed on an annual basis with the next review scheduled for March 2019.

150. Cyber security and technical information security issues, including compliance with industry standards, are dealt with by the Council's Cyber Security Architect and Cyber Security officer, within the Enterprise Architecture Team in ICT Services. Responsibility for information management, which promotes efficiency when the Council processes information and extends beyond the processing of Personal Data, also lies with the Enterprise Architecture Team within ICT Services will promote good information management by the provision of advice and guidance to Services.

151. Cyber risks are now highlighted in the strategic, corporate and service risk registers, which is regularly monitored by the Audit, Risk and Scrutiny Board and demonstrates the actions being taken to mitigate the impact of any potential cyber threats. Overall, we have concluded that the Council is strengthening its cyber resilience arrangements.

General Data Protection Regulation

152. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018, along with the Data Protection Act 2018. These replaced the UK Data Protection Act 1998 (DPA). As a Regulation, all EU member states must implement it in the same way. GDPR sets out further requirements than the DPA and has introduced new and significantly changed data protection concepts. Failure to comply with new GDPR data handling arrangements could result in the Council incurring significant fines.

153. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes. Failure to comply with new GDPR data handling arrangements could result in the Council incurring significant fines.

154. We concluded that the Council are making good progress in updating its information governance procedures to ensure compliance with GDPR. However, Council management and the Data Protection Officer should continue to monitor the initial uptake and ongoing delivery of data protection training to all relevant staff.

Integration of health and social care

155. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

156. The Renfrewshire Integration Joint Board (RIJB) is provided in partnership with NHS Greater Glasgow and Clyde Health Board and became fully operational on 1 April 2016.

157. RIJB are required to submit financial information to Renfrewshire Council to allow the unaudited Council Group Accounts to be completed and submitted for audit. RIJB initially provided incorrect financial information which required to be amended as part of the Renfrewshire Council audit.

158. We have recommended that RIJB ensure that measures are put in place to strengthen year end procedures to avoid issues arising in the submission of financial data to partner organisations.

159. RIJB incurred a net overspend of £2.052 million against total funding received of £245.425 million on both health and social care services in 2017/18. The full value of the overspend resulted in a planned reduction in RIJB's reserves.

160. Renfrewshire Council made an additional recurring funding facility of £4.406 million available to RIJB in 2017/18 of which £2.749 million was utilised in year, ensuring that adult social services were fully funded in 2017/18. The unutilised balance is being held by Renfrewshire Council as an earmarked reserve to support RIJB, with the recurring funding forming part of the overall resource facility made available to the RIJB to draw down in 2018/19.

161. The integration scheme sets out the arrangements between RIJB and the partner bodies regarding over/underspends. The scheme states that where planned underspends occur, these can be retained by RIJB in line with its reserves policy. Where an overspend is projected, the scheme states that a recovery plan should be place. If this is not successful, IJB reserves are to be used, with additional funding from partner bodies being the last resort.

162. RIJB used a significant portion of general reserves and received additional funding from Renfrewshire Council in response to identified pressures on the adult social care budget. The integration scheme makes it clear that a financial recovery plan should be agreed by the board before these steps are taken. As additional funding was budgeted to be made available by Renfrewshire Council, RIJB believe this was not required.

163. We have recommended that RIJB should ensure that it complies with the arrangements as set out within the integration scheme.

Local scrutiny plan

164. The 2018/19 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to Management in April 2018 and presented to the Audit, Risk and Scrutiny Board in May 2018.

165. The LAN concluded that no scrutiny risks were identified which require specific scrutiny work by the LAN in 2018/19. This is a positive position for the Council and is consistent with the LAN view last year. Scrutiny activity undertaken in the last 12 months was either part of routine ongoing inspection work, or part of national activity. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

Part 5

Best Value



Main judgements

The Best Value follow-up audit found the Council is making good progress in addressing the recommendations from the 2016/17 BVAR.

The Council has several improvement activities working in parallel and these are clearly linked to the Council's priorities and budget setting process.

Best value

166. To review how effectively the Council demonstrates Best Value (BV) in its delivery of services, we consider our audit findings across all the audit dimensions referred to in paragraph 2. This section of the report reflects on this and more specific findings from the five year audit approach covering aspects of BV within the Council. This section also includes audit findings relating to the audit dimension of Value for Money such as how effective the leadership is of the transformation programme, which is driving efficiencies in the Council's activities.

167. Best value is assessed over the five-year audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once in this five-year period. The BVAR report for Renfrewshire Council was published on 31 August 2017.

168. The BVAR report concluded that the Council has a clear and ambitious vision for Renfrewshire to revitalise the area's economy and address poverty and inequality. The Council's partners share this vision and the Council Plan, management structures and performance management arrangements are well aligned with it. Other key messages were that the Council:

- has maintained a steady pace of change, supported by effective leadership that has allowed it to improve the way it plans, manages and delivers its business
- has steadily improved how its services perform. Renfrewshire's overall performance is improving and is comparable to similar Councils within its family group
- and its partners are good at working with, and involving, communities and will need to continue to work together on joint priorities and to strengthen partnership working
- has a good record of delivering services differently. It works well with partners and has developed a number of new approaches to how it delivers services.

169. At its meeting on September 2017 the Council agreed the improvement actions within the BVAR and that an update on progress against the action plan, and on any ongoing best value audit activity relating to the Council, would be reported to the Leadership Board on an annual basis. The action plan detailed the key actions that the Council would progress against each of the recommendations.

170. During 2017/18 we have had regular meetings with key officers to discuss progress in implementing the recommendations contained with the BVAR report. We have obtained and reviewed additional documentation to support the progress being made and formally reported to the Leadership Board in April 2018.

171. Progress in implementing the recommendations continues to be monitored by the Corporate Management Team on a quarterly basis, with the next update to elected members scheduled for December 2018.

172. Based on our discussions with officers and our audit work during the year, our overall conclusion is that the Council is making good progress in implementing the recommendations from the 2016/17 Best Value and Assurance Report. We will continue to monitor the Council's progress against the improvement actions.

Community planning

173. The 2016/17 BVAR reported that Community Planning partners need to plan their budgets and finances together to provide a clearer picture of the overall resources available.

174. At the special meeting of the Community Planning Partnership Executive Group in March 2018, each partner provided an overview of the current financial outlook for their respective organisation. This has provided the opportunity for partners to discuss common issues and to explore any potential opportunities for wider collaboration.

175. In addition, partners regularly discuss areas of resource pressure and it is proposed that members of the Partnership use the group to address areas of resourcing pressure. A key priority within Renfrewshire's Community Plan 2017-2027 is to develop a Community Planning Partnership that is sustainable and connected.

Community engagement

176. The 2016/17 BVAR report also concluded that the Council and its partners need to continue to involve communities and work together on joint priorities to strengthen partnership working and to ensure the Community Empowerment (Scotland) Act 2015 is fully implemented.

177. Renfrewshire's Community Plan was approved by Council in September 2017. An outcomes and performance framework underpinning the plan has been developed and was approved by the Community Planning Partnership Executive Group and Oversight Group in March 2018. The framework sets out the key outcomes to be targeted and the key performance indicators which the Partnership will use to assess the impact of joint work.

178. Following on from the approval of the framework, work is also underway to develop and embed the new community planning governance structure and to establish key priorities and work programmes across the key thematic areas.

179. The review of Local Area Committees is in the final stages. Following discussion at the Cross Party Sounding Board in December 2017, full Council agreed on a public consultation on proposed changes to the current local area committee arrangements.

180. The consultation took place over a 12 week period between January and April 2018. A range of consultation events have been undertaken, providing an opportunity for views of different stakeholders to be considered. 173 survey responses were received, with 274 attendees at various events. In addition, stakeholders were updated at formal Local Area Committee meetings.

181. The consultation paper covered a range of proposals including:

- a renewed set of aims, and a specific proposal for a primary aim of the new arrangements to be identifying, setting and sharing local priorities. The consultation also sought views on 'rebranding' Local Area Committees, moving the focus from a committee function to a partnership function
- widening voting rights within the new partnership arrangements, and a greater role for relevant partner organisations. The consultation sought views on proposals to move from formal committees of the Council to part of the Community Planning Partnership structures
- a proposal to move from using Ward boundaries to Community Council boundaries, and sought views on a proposed model
- how meetings can become more accessible and participative, and the consultation sought views on how this could be best achieved
- refocusing locally distributed grants on local projects (and aligned to local priorities), and providing an alternative process administered by officers for Renfrewshire wide proposals (which is aligned to Community Planning priorities). The consultation also sought views on a proposal to carry out a participatory budgeting exercise with money allocated to the Youth Challenge fund.

182. The proposals outlined within the consultation paper have been developed taking into consideration the feedback received during the consultation period. These detailed proposals and processes will be submitted to Council in September 2018 for consideration, including a timeline for implementation and further engagement with the Cross Party Sounding Board.

183. The development of the future grants processes will also be aligned to the new approach outlined in the 'Support to Community Organisations' paper that was submitted to Council in May 2018, and to the development of the Community Empowerment Fund which is also due to be considered at Council in September 2018. The Council believes this provides an opportunity to simplify and align the support provided to community organisations.

184. Based on our observations and audit work, our overall conclusion is that the Council is making good progress in developing sound governance and funding arrangements to support the implementation of Community Empowerment Act.

Procurement

185. One of the Council's key objectives is to use its procurement activities to promote its wider policy objectives, including social, economic and environmental objectives' in the Procurement Strategy.

186. The Council has developed a community benefits outcome menu and this is included in all relevant tenders to assess the value of the community benefits offered by each bidder. Once a contract is awarded, the Community Benefits Forum work closely with the Council's procurement officers to co-ordinate and support the delivery of community benefits.

187. The forum is chaired by the Strategic, Commercial and Procurement Manager and forum members include officers from the Council's Economic Development

Team, Invest in Renfrewshire, Children Services, and representatives of Developing the Young Workforce and Engage Renfrewshire. The forum:

- encourages participation in Meet the Buyer events, attends workshops supported by Engage Renfrewshire and supports the Chamber of Commerce mentoring programme
- supports the Supplier Development Programme by setting up supplier mentoring sessions and helping small businesses identify new contract opportunities
- supports school employability programmes helping school leavers to achieve positive destinations through education, employment and training
- provides a free vacancy management service to advertise employment and work experience opportunities through Invest in Renfrewshire
- provides opportunities for providers to meet and engage with potential candidates interested in vacancies associated with delivery of contracts.

188. We concluded that the Council has good procurement practices in place and is committed to continuous improvement.

Performance management

189. The Council's performance management arrangements were considered in our BVAR issued in August 2017. We identified that the Council has an established performance management framework that managers and Councillors clearly understand, and that this provides a sound base for improvement.

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

191. The Council reports information on its performance through its website. It also prepares an annual performance report, *It's all about you*, based on its statutory performance indicators. The Council has refreshed how it presents performance reporting to the public, to make it easier to find and read. It is also available in multiple languages and formats.

192. *It's all about you* focuses on a select number of indicators that the public have told the Council they most want to know about. The Council reports performance against the full set of 68 indicators in the Local Government Benchmarking Framework to the Audit, Risk and Scrutiny Board.

193. The Council produces a magazine which goes out four times a year to over 80,000 households. This generally features an article containing information about service performance and achievements. The latest report notes that 70 per cent of customers are satisfied with the services the Council provides.

Overview of performance targets

194. The Council participates in the [Local Government Benchmarking Framework](#) (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

195. The most recent [National Benchmarking Overview Report 2016/17](#) by the Improvement Service was published in February 2018 and covered the 2016/17 reporting period. This report was submitted to the Audit, Risk and Scrutiny Board (ARSB) in March 2018. The overall conclusion was that the Council performed well in comparison to other Councils.

196. The Audit, Risk and Scrutiny Board receives regular performance reports throughout the year and an annual performance report. These reports monitor progress against the Council's key priorities. Based on the most recent report submitted to ARSB in March several positives were highlighted including:

- Cost per secondary school pupil – rank 1
- Cost of trading standards, money advice and citizens advice per 1,000 population – rank 1
- Cost of environmental health per 1,000 population – rank 1
- Proportion of operational buildings that are suitable for their current use - rank 1
- Percentage of unemployed people assisted into work from Council operated / funded Employability programmes - rank 1

197. At the same time the Council recognises that it should improve service deliver in several key areas such as maintenance of roads, street cleaning and the cost of planning applications. Action plans have been developed that set out in SMART terms (Specific, Measurable, Action-oriented Realistic, Timescales) and what is being done to improve performance. These are monitored and reviewed by Policy Boards, with national benchmark performance being reviewed by the ARSB to assess progress.

198. The Local Government Benchmarking Framework allows Councils to compare themselves to the Scottish average. It also groups Councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar Councils to compare and benchmark performance.

199. Compared with the Scottish average for 2016/17, Renfrewshire Council performs close to the average for the majority of selected indicators. Relative to its family group, Renfrewshire tends to sit in the middle ground for performance. In comparison with Scotland as a whole, there has been a mixed picture in terms of the rate of relative improvement between 2010/11 and 2015/16.

Statutory performance indicators (SPIs)

200. The Accounts Commission places great emphasis on Councils' responsibility for public performance reporting. The Commission does not prescribe how Councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

201. For 2017/18 two SPIs were prescribed:

- SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value
- SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

202. We reviewed the Council's arrangements for collecting, recording and publishing data in 2017/18. Information is publicly available on the Council website, with the main SPI report published as well as a summary version. *'It's all about you'*

provides a graphical and pictorial presentation of performance data. However there is limited reference to performance in the Council's Annual Report.

203. The Annual Report should include a summary position regarding the Council's performance together with relevant detailed performance information. This would improve the accessibility of performance information and help to demonstrate greater transparency by the Council.

National performance audit reports

204. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18, Audit Scotland published a number of reports were issued which are of direct interest to the Council. These are outlined in [Appendix 3](#).

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

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Group consolidation process</p> <p>To allow the Council to prepare its group unaudited accounts for the 30 June statutory deadline, financial information is required from the component bodies.</p> <p>Risk</p> <p>The current arrangements increase the risk that the compilation of group financial statements is incorrect.</p>	<p>The Council should consider implementing an updated consolidation process to improve the reporting of unaudited financial information from component bodies.</p>	<p>The team responsible for producing the accounts will consider revision to the current group accounting information gathering methodology to ensure submissions received are in an appropriate format.</p> <p>Finance Manager May 2019</p>

Follow up of prior year recommendations

b/f	<p>1. Overpayment of Leavers</p> <p>We noted that approximately 10% of staff who left in 2016/17 were incorrectly overpaid after their employment ceased.</p>	<p>A process should be put in place to ensure that leavers are removed from the payroll immediately when they cease to be employed by the Council.</p> <p>2017/18 update:</p> <p>The 2016/17 management actions advised that regular reports analysing overpayments would be discussed with service managers with a view to a targeted process redesign and management action where required.</p> <p>In 2017/18 we undertook a focused audit of overpayments. We reported continued weaknesses and no improvement in the level of overpayments being made.</p>	<p>Updated response</p> <p>Updated guidance has been issued to all managers to remind them of the need to timeously inform payroll of any changes. The implementation of the new Business World system will provide further opportunities to improve communication of changes in staffing establishments.</p> <p>Head of Customer and Business Services December 2018</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>2. Management Commentary</p> <p>The management commentary in the annual accounts has been prepared in line with statutory guidance, however information provided on Council performance is limited.</p>	<p>Management should expand the scope of the management commentary in the 2017/18 annual accounts to make it clearer to the reader how the Council performed in the year.</p> <p>2017/18 update:</p> <p>The Council has undertaken a review of the management commentary and made improvements. We would encourage the Council to continue to review the management commentary to further improve the performance information provided.</p>	<p>Updated response</p> <p>The management commentary will be further reviewed, including considering examples from other councils, to improve clarity of the information provided.</p> <p>Head of Finance June 2019</p>

Appendix 2

Significant audit risks identified during planning

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

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>No unusual or inappropriate transactions were identified as part of detailed testing of journal entries.</p> <p>A review of accounting estimates did not show any instance of bias.</p> <p>Focussed testing of regularity and cut-off assertions showed controls were operating effectively.</p> <p>No significant transactions outside the normal course of Council business were identified.</p> <p>Conclusion: there is no evidence of management override of controls at the Council.</p>
<p>2 Risk of fraud over income</p> <p>ISA 240 presumes a risk of fraud over income. Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.</p>	<p>The Council has well developed processes for the authorisation, separation of duties and workflow associated with the Councils income streams. Clear schemes of delegation and the authorised signatory databases are regularly updated. Financial systems have authorisation process in-built to ensure the risk of fraud is minimised. The audit plan which internal audit complete will include a range of systems testing across income and expenditure processes, with recommendations being monitored for implementation. The Council has established a Counter Fraud Team who have been actively raising awareness of both financial and non-financial fraud risks through a series of training events targeted at key personnel.</p>	<p>We assessed the design of key controls in place at the Council and did not highlight any issues that would result in an increased risk of fraud over income.</p> <p>We carried out substantive (sample) testing over all areas of income, including Council tax, non domestic rates and other income.</p> <p>Conclusion: We did not identify any evidence of fraud.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>3 Risk of fraud and expenditure</p> <p>The risk of fraud over income presumed by ISA 240 is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice.</p> <p>The risk of fraud over expenditure also applies due to the variety and extent of expenditure made by the Council in delivering services.</p>	<p>The Council has well developed processes for the authorisation, separation of duties and workflow associated with the Councils expenditure. Clear schemes of delegation and authorised signatory databases are regularly updated. Financial systems have authorisation process in-built to ensure the risk of fraud is minimised. The audit plan which internal audit complete will include a range of systems testing across income and expenditure processes, with recommendations being monitored for implementation.</p> <p>The Council has established a Counter Fraud Team who have been actively raising awareness of both financial and non-financial fraud risks through a series of training events targeted at key personnel.</p>	<p>We assessed the design of key controls in place at the Council and did not highlight any issues that would result in an increased risk of fraud over expenditure.</p> <p>We carried out substantive (sample) testing over all areas of expenditure.</p> <p>Conclusion: We did not identify any evidence of fraud.</p>
<p>4 Estimates and Judgements</p> <p>There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non current assets, pensions and provisions.</p> <p>The Council holds a material amount of assets at fair value. The valuations are significant estimates which are based on specialist and management assumptions. The Council's net liability relating to the Strathclyde Pension Fund at 31 March 2017 was £335 million. This value is an estimate based on a number of assumptions from the pension fund actuary.</p> <p>At 31 March 2017 the Council held a provision for doubtful debts of £23 million. This provision is based on the assessed likelihood that debts are recoverable. This subjectivity represents an increased risk of material misstatement in the financial statements.</p>	<p>Where estimates are required those are based on the best information available and on a professional and prudent approach.</p>	<p>A number of estimations and judgements in the accounts were based on the opinion of experts. We assessed the reliability of these experts and reviewed their work.</p> <p>We tested samples of accruals and provisions and confirmed them to appropriate back up evidence.</p> <p>The Council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of the year were significantly lower than actual returns. This resulted in pension fund assets reported in the Council's balance sheet being <i>understated</i> by £21.828 million.</p> <p>The Council's accounting policies are appropriate.</p> <p>Conclusion: estimations and judgements included in the financial statements are supported by evidence.</p>

Audit risk	Assurance procedure	Results and conclusions
<p>5 Capacity of finance function</p> <p>A risk around the capacity of the finance function was raised in our 2016/17 audit plan and we noted in our 2016/17 report that a number of year end processes were delayed, in particular the preparation of the submission for the Whole of Government Accounts.</p> <p>As there have not been significant changes to staffing, and similar pressures exist in 2017/18 (in particular, requirements to support the ERP project), this may increase the risk of issues arising in the preparation and audit of the financial statements.</p>	<p>The finance team operate to a clearly understood year end timetable and procedures, which include responsibilities for particular aspects of the annual accounts completion. Progress on the annual accounts process will be closely monitored.</p>	<p>The annual accounts were received in line with the agreed timetable, were of a good standard and included the required updates resulting from the change to the 2017/18 Code.</p> <p>The completion of the WGA return for the unaudited accounts was not submitted by the 3 August 2018 deadline.</p> <p>Conclusion: there is a risk that ongoing staffing pressures, including demands linked to the implementation of ERP have impacted on the delivery of outputs by the agreed deadlines.</p>

Risks identified from the auditor's wider responsibility under the Code of Audit Practice

<p>6 Financial sustainability</p> <p>Renfrewshire Council are currently projecting a breakeven position in 2017/18. This requires £20 million of savings, the majority of which are sought through the debt smoothing strategy.</p> <p>Financial pressures are expected to continue in the medium term with the Council estimating an annual savings requirement of at least £20 million per year in 2018/19 and 2019/20. Meeting these savings targets is expected to require changes to the way the Council delivers services, and there is a risk that this will affect the quality of the services provided.</p>	<p>The Council has undertaken a programme of significant change in recent years to address the financial constraints faced by local government with these challenges continuing in the medium term. Financial plans are continually reviewed to ensure financial sustainability is maintained over the medium term.</p>	<p>The Council has considered what the impact of new financial powers and the ending of the public sector pay cap will have on future funding and this has been reflected in the assumptions within the medium term financial plan.</p> <p>The Council has agreed a range of financial planning principles as part of a medium term financial plan which will support the delivery of further savings.</p> <p>The Council has implemented and embedded a transformational change programme that is aligned to its strategic objectives.</p> <p>Conclusion: We will continue to monitor the BCCP to ensure that both the pace and level of change are in line with the future requirements of the Council.</p>
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Audit risk	Assurance procedure	Results and conclusions
<p>7 Enterprise Resource Planning System</p> <p>A new Enterprise Resource Planning (ERP) was originally planned to be in place in on 1 April 2016. This has since been subject to a number of delays and is currently projected to be completed in September 2018. There is a risk that additional delays will put further strain on the Council's staffing resources and incur additional costs.</p>	<p>The implementation plans and resources are regularly assessed to ensure they reflect issues which arise and to ensure that the system will be fit for purpose once live.</p>	<p>The implementation of ERP has been delayed and now has a target go live date of October 2018, following the approval of an additional investment of £0.800 million.</p> <p>Conclusion: we will continue to monitor progress during 2018/19.</p>
<p>8 Effectiveness of Audit, Risk and Scrutiny Board</p> <p>The structure, composition and remit of the previous Audit, Scrutiny and Petitions Board was reassessed in response to the findings in the 2016/17 audit.</p> <p>This resulted in the formation of the Audit, Risk and Scrutiny Board (ARSB) in May 2017, following the local government elections.</p> <p>Due to the relatively recent changes in the membership and remit there will be some continued risk in respect of the effectiveness of the ARSB.</p>	<p>Officers will continue to support members of the ARSB to ensure the effectiveness of the board.</p>	<p>The ARSB has been in place since May 2017. The revised structure and the content of the papers considered provides a comprehensive agenda at each board meeting. There is a clear focus on audit, governance and risk management.</p> <p>Key Council officers attend each ARSB as required to answer questions from elected members and provide additional information as required.</p> <p>Members receive regular training and provide a good level of scrutiny.</p> <p>Conclusion: the revised structure and remit of the ARSB supports effective scrutiny of audit, governance and risk management.</p>

Appendix 3

Summary of national performance reports 2017/18



		Apr		
		May		
Common Agricultural Policy Futures programme: further update		Jun		Scotland's colleges 2017
		Jul		NHS workforce planning
Self-directed support: 2017 progress report		Aug		
Equal pay in Scottish councils		Sept		
Transport Scotland's ferry services		Oct		NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov		
		Dec		
		Jan		
Early learning and childcare		Feb		
Managing the implementation of the Scotland Acts		Mar		

Local government relevant reports

[*Principles for a digital future*](#) – May 2017

[*Self-directed support: 2017 progress report*](#) – August 2017

[*Equal pay in Scottish Councils*](#) – September 2017

[*Local government in Scotland: Financial overview 2016/17*](#) – November 2017

Renfrewshire Council

2017/18 Annual Audit Report

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