

Business Operations and Partnerships Department

Director of Business Operations & Partnerships: Louise Pringle

Council Headquarters, Eastwood Park, Giffnock, East Renfrewshire, G46 6UG

Phone: 0141 577 3000

website: www.eastrenfrewshire.gov.uk

Date: 2 August 2024

When calling please ask for: Linda Hutchison (Tel. No 0141 577 8388)

e-mail: linda.hutchison@eastrenfrewshire.gov.uk

TO: Councillor Andrew Morrison (Chair), Tony Buchanan (Vice-Chair), Provost Mary Montague and Councillors Paul Edlin, Annette Ireland, David Macdonald and Gordon Wallace.

MEETING OF AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, G46 6UG on **Thursday, 8 August 2024 at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

Louise Pringle

**LOUISE PRINGLE
DIRECTOR OF BUSINESS OPERATIONS AND PARTNERSHIPS**

AGENDA

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are requested to give notice of any declarations of interest in respect of items of business on the Agenda.

3. CHAIR'S REPORT

4. BREAKFAST CART SERVICE AT NEILSTON PRIMARY SCHOOL - CLARIFICATION

Report by Clerk (copy attached, pages 3 – 6).

5. ANNUAL TREASURY MANAGEMENT REPORT 2023/24

Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 7 – 22).

6. NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT BUDGETS 2024/25

Report by Clerk (copy attached, pages 23 – 28).

7. INTERNAL AUDIT PLAN 2024/25 - IMPLEMENTATION PROGRESS - APRIL TO JUNE 2024 (QUARTER 1)

Report by Chief Auditor (copy attached, pages 29 – 40).

A recording of the Committee meeting will be available following the meeting on the Council's YouTube Channel <https://www.youtube.com/user/eastrenfrewshire/videos>

This document can be explained to you in other languages and can be provided in alternative formats such as large print and Braille. For further information, please contact Customer First on 0141 577 3001 or email customerservices@eastrenfrewshire.gov.uk

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

8 August 2024

Report by Clerk

BREAKFAST CART SERVICE AT NEILSTON PRIMARY SCHOOL - CLARIFICATION

PURPOSE OF REPORT

1. To summarise the clarification received and circulated on a query raised at the meeting of the Committee on 20 June 2024 regarding the Breakfast Cart Service at Neilston Primary School.

RECOMMENDATION

2. It is recommended that the Committee notes the position.

REPORT

3. In June 2022, it was agreed to implement recommendations made by the Committee in April 2022 arising from its self-evaluation.

4. One of the self-evaluation observations made was that when queries on reports are raised at meetings, it is not always possible for answers to be provided at the meeting itself. Although the provision of clarification or assurances subsequently was considered acceptable, it was agreed, in the interests of transparency, that the Clerk should submit a summary of clarification received and circulated to the next meeting.

5. A related observation endorsed by the Committee in June 2022 and highlighted subsequently, was that it is useful, where possible, for Members to alert the Clerk or Chair in advance to issues they wish to raise at meetings. This is with a view to helping to ensure that answers can be requested, prepared and made available to the Committee where possible at its meetings, also in the interests of transparency. Members of the Committee are therefore encouraged to alert the Clerk or Chair to issues in advance to the extent possible.

6. Clarification provided on a query raised at the meeting on 20 June 2024, which has already been circulated through correspondence, is itemised in Appendix 1.

RECOMMENDATION

7. It is recommended that the Committee notes the position.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit and Scrutiny Committee Agenda – 20 June 2024:-
[2023/24 Unaudited Annual Accounts](#)

CLARIFICATION SOUGHT AND CIRCULATED

DATE OF MEETING	ITEM AND ISSUE(S) RAISED	CLARIFICATION
20 Jun 2024	<p data-bbox="445 416 1032 443">2023/24 UNAUDITED ANNUAL ACCOUNTS</p> <p data-bbox="445 483 1106 715">It was noted that the Chief Accountant would seek and provide clarification on whether or not the Devolved School Management Reserve would provide sufficient funding to enable the Breakfast Cart Service based at Neilston Primary School, which was being sustained through COVID funding until the end of June 2024, to continue</p>	<p data-bbox="1146 416 1827 443">The Chief Accountant provided feedback as follows:-</p> <ul data-bbox="1189 483 2101 719" style="list-style-type: none"> <li data-bbox="1189 483 2101 584">• The Devolved School Management Reserve for the School will provide sufficient funding to enable the Cart Service based at the School to continue for session 2024/25 at least; and <li data-bbox="1189 624 2101 719">• A review will be undertaken during 2024/25 to measure the impact of this expenditure which will enable the school community to consider sustainability in the longer term.

BLANK PAGE

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE8 August 2024Report by Head of Accountancy (Chief Financial Officer)FINAL TREASURY MANAGEMENT REPORT FOR 2023/24**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the year ending 31 March 2024. The figures reported below are subject to change during the current audit process.

RECOMMENDATION

2. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved (please see Appendix 8)

BACKGROUND

3. In line with the CIPFA Code of Practice on Treasury Management, the Audit & Scrutiny Committee is responsible for ensuring effective inspection of treasury management activities and this report is submitted in accordance with this requirement.

SUMMARY

4. Overall the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has reduced slightly over that stated for the previous year, reflecting the scheduled maturity of existing borrowing with higher interest rates. The Council continues to adopt a prudent approach to treasury management and in particular the percentage of loans held as at 31 March 2024 that had variable interest rates was 7.38% which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

RECOMMENDATION

5. It is recommended that the Committee: -
- a) note the Treasury Management Annual Report for 2023/24; and
 - b) recommend to the Council that the attached organisations for investment of surplus funds be approved (please see Appendix 8)

REPORT AUTHOR

Head of Accountancy (Chief Financial Officer): Margaret McCrossan

Chief Accountant: Barbara Clark

Telephone Number: 0141 577 3068

E-mail: Barbara.Clark@EastRenfrewshire.gov.uk

Report Date: 15 July 2024

ACTUAL TREASURY MANAGEMENT REPORT 2023/24

Table 1

1. Actual External Debt

	Borrowing 01/04/23 £M	Average Interest %	Borrowing 31/03/24 £M	Average Interest %	Change in year £M
<u>Long Term Borrowing</u>					
Public Works Loan Board	112.85	3.30	112.49	3.29	(0.36)
Local Authority Bonds	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Leases	73.50	7.18	68.13	7.17	(5.37)
Total Long Term	200.75	4.81	195.02	4.74	(5.73)
<u>Short Term Investments</u>					
Temporary Investments	(68.54)	3.95	(25.74)	5.28	42.80

NOTES

- (i) For the purposes of this report long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.003 million come into this category.
- (ii) The Treasury Strategy approved by the Council on 1st March 2023, ratified external borrowing of £58m from the Public Works Loan Board to be undertaken during the year. However due to the rescheduling of capital expenditure to future years and a recommendation by the Head of Accountancy to defer long term borrowing, where possible, until the current high interest rates come down, no new borrowing from the Public Works Loans Board was undertaken during the year and loans totalling £0.36m matured.
- (iii) The average interest rate on long-term borrowing has decreased by 0.07% during the year ending 31 March 2024.
- (iv) The Council's net external borrowing position has increased in total by £37.07 million during the year due to both revenue and capital cash flows.
- (v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 – 5. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, during the course of the year the maximum period of investment was restricted to 6 months.
- (vi) At 31 March 2024, 7.38% of the total debt outstanding consisted of loans which had a variable rate of interest. For the Council to gain a high level of stability in overall borrowing costs, the Council's Treasury Strategy requires the exposure to variable rate loans to be less than 15% of the total debt outstanding.

- (vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

2. PWLB

The primary source of medium/long term borrowing is from the UK Government through the Public Works Loan Board (PWLB). The PWLB provides loans to local authorities at rates, which are in general more attractive than loans available from other sources.

3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 31 March 2024 is shown both below and in Graph format at Appendix 7.

It is a requirement of the Council's Treasury Strategy that the maximum amount of long-term debt maturing in any one year should be no more than 15% of the Council's long-term debt outstanding, at the time of borrowing.

The Council's Debt Maturity Profile as at 31 March 2024 was within the agreed limits.

Long Term Debt Maturity Profile as at 31 March 2024

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.95
27/28	2.01	0.00	2.01	1.58
28/29	0.00	0.00	0.00	0.00
29/30	0.00	0.00	0.00	0.00
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
After 2033/34	105.47	14.40	119.87	94.47
Total	112.49	14.40	126.89	100.00

4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 1 March 2023 along with the projected outturn figures recorded at 30 June 2023, 30 September 2023, 31 December 2023, 29 February 2024 and the final position as at 31 March 2024, demonstrating that the Council is operating well within the limits set.

Prudential Indicator	Approved indicator £'000s	Projected Outturn @ 30/06/23 £'000s	Projected Outturn @ 30/09/23 £'000s	Projected Outturn @ 31/12/23 £'000s	Projected Outturn @ 29/02/24 £'000s	Actual @ 31/03/24 £'000s
Capital Expenditure	81,167	66,541	59,176	57,480	50,801	46,487
Comment	Movement from the approved indicator and the last quarter is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes.					
Capital Financing Requirement (CFR)	304,873	273,138	266,180	265,921	259,128	256,271
Comment	Movement from the approved indicator and the last quarter is due to a reduction in net capital expenditure in both previous and current years.					
Operational Boundary for External Debt	309,855	278,120	271,162	270,903	264,110	255,538
Comment	Movement from the approved indicator and the last quarter is due to a reduction in permitted borrowing from that approved due to a reduction in capital spend in both the previous and current years, along with the in-year planned debt repayment.					
Authorised Limit For External Debt	345,308	308,813	300,812	300,514	292,702	255,538
Comment	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further 15% allowance to cover any unexpected temporary movements, which was not required.					
Gross Debt	253,770	228,270	205,770	205,770	195,770	195,770
	Movement is due to the re-profiling of capital expenditure to future years and to the deferral of borrowing until rates come down.					

Gross Debt to CFR (Under) / Over	(51,103)	(44,868)	(60,410)	(60,151)	(63,358)	(60,501)
Comment	Movement is due to a reduced net borrowing requirement as a result of a reduction in capital expenditure in both previous and current years, along with a deferral of borrowing until rates come down.					
Financing to Net Revenue Stream Non – HRA HRA	6.7% 34.4%	6.7% 32.4%	6.7% 32.8%	6.7% 32.8%	6.2% 33.9%	6.6% 33.7%
Comment	Movements from the approved indicator and the last quarter relates to variations in financing costs, as well as movements in revenue funding.					
HRA - Ratio of Debt to Revenue	337.0%	305.8%	294.0%	294.0%	298.3%	306.1%
Comment	The movement from the approved indicator relates to a reduction in debt.					
HRA – Debt Per Dwelling £	16,450	15,682	15,079	15,079	14,792	14,855
Comment	The movement from the approved indicator relates to a reduction in debt.					
Code of Practice For Treasury Management	<p>The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes</p> <p>All of the approved activities within the Council Treasury Management Policy Statement have been complied with.</p>					

The movement between the Capital Financing Requirement and the Gross Debt indicates the amount of internal borrowing required. The indicator above "Gross Debt to CFR" and the table below show that the capital borrowing need (the Capital Financing Requirement), has not been fully funded by external loan debt as the cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy remains both prudent and cost effective as borrowing costs are currently relatively high and the Head of Accountancy has requested that borrowing, where possible, is not undertaken until interest rates come down from their current level.

	Approved Indicator £'000s	Projected Outturn @ 30/06/23 £'000s	Projected Outturn @ 30/09/23 £'000s	Projected Outturn @ 31/12/23 £'000s	Projected Outturn @ 29/02/24 £'000s	Actual @ 31/03/24 £'000s
Capital Financing Requirement	304,873	273,138	266,180	265,921	259,128	256,271
Gross Debt	253,770	228,270	205,770	205,770	195,770	195,770
Internal Borrowing Required	51,103	44,868	60,410	60,151	63,358	60,501

5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following two debt performance indicators

- i) Average "pool rate" should be at or below the Scottish average:
 - East Renfrewshire Council 2023/24 was 3.89%
 - East Renfrewshire Council 2022/23 was 3.34%
 - Average All Scottish Local Authorities 2022/23 was 3.486%.
- ii) Average borrowing rate should remain the same or reduce year on year:
 - Average borrowing rate in 2021/22 was 4.99%
 - Average borrowing rate in 2022/23 was 4.81%.
 - Average borrowing rate in 2023/24 was 4.74%.

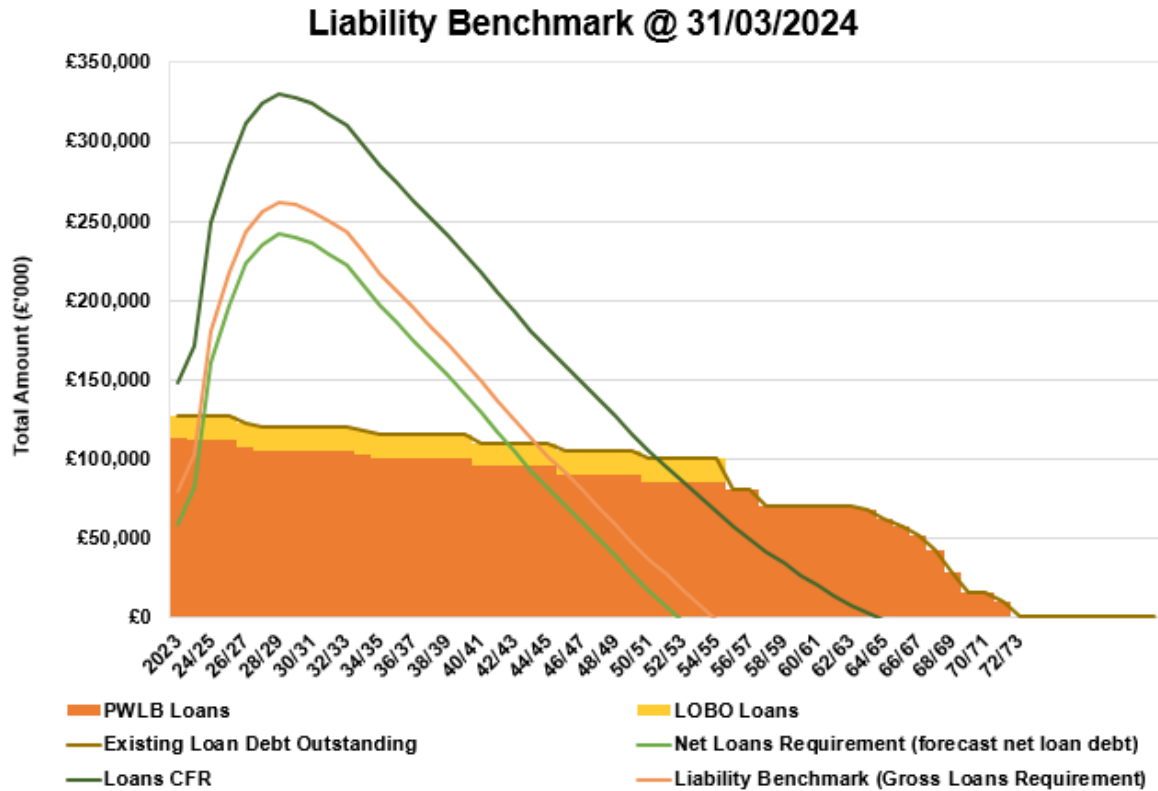
6. Liability Benchmark

The Council is required to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. It is a projection of the amount of loan debt outstanding that the Council needs to fund its existing debt liabilities, planned prudential borrowing and other cashflows.

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.

3. **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.



7. APPROVED ORGANISATIONS FOR INVESTMENT

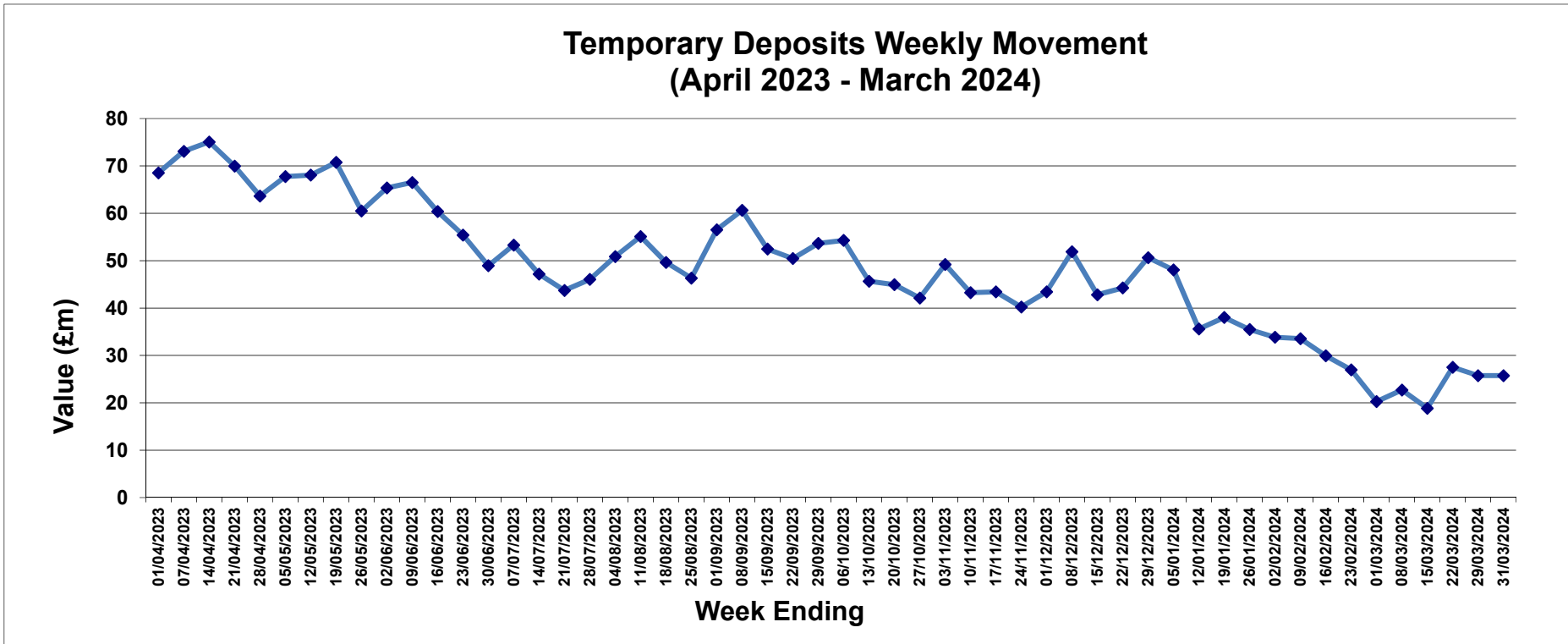
In line with normal practice the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment (see appendix 8). No changes have been made to the list since last reported on 28 March 2024. All lending is in line with the permitted methods of investment which were approved by Council on 1 March 2023 as part of the Treasury Management Strategy report.

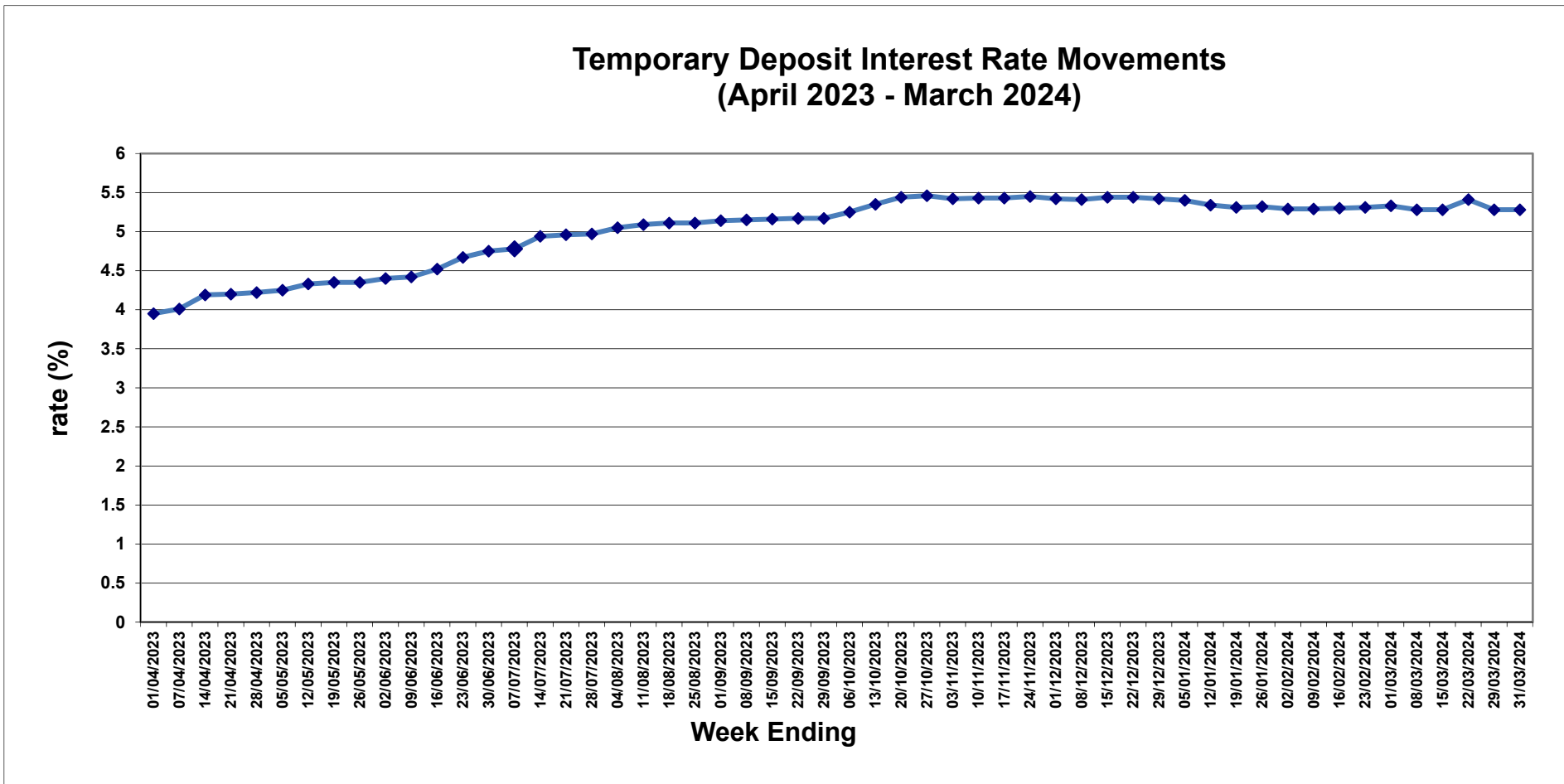
As a result of the banking crisis and in line with prudent financial management, investment has been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers, Link Asset Services. These measures have been taken as part of a risk managed process designed to protect the principal of the sums invested.

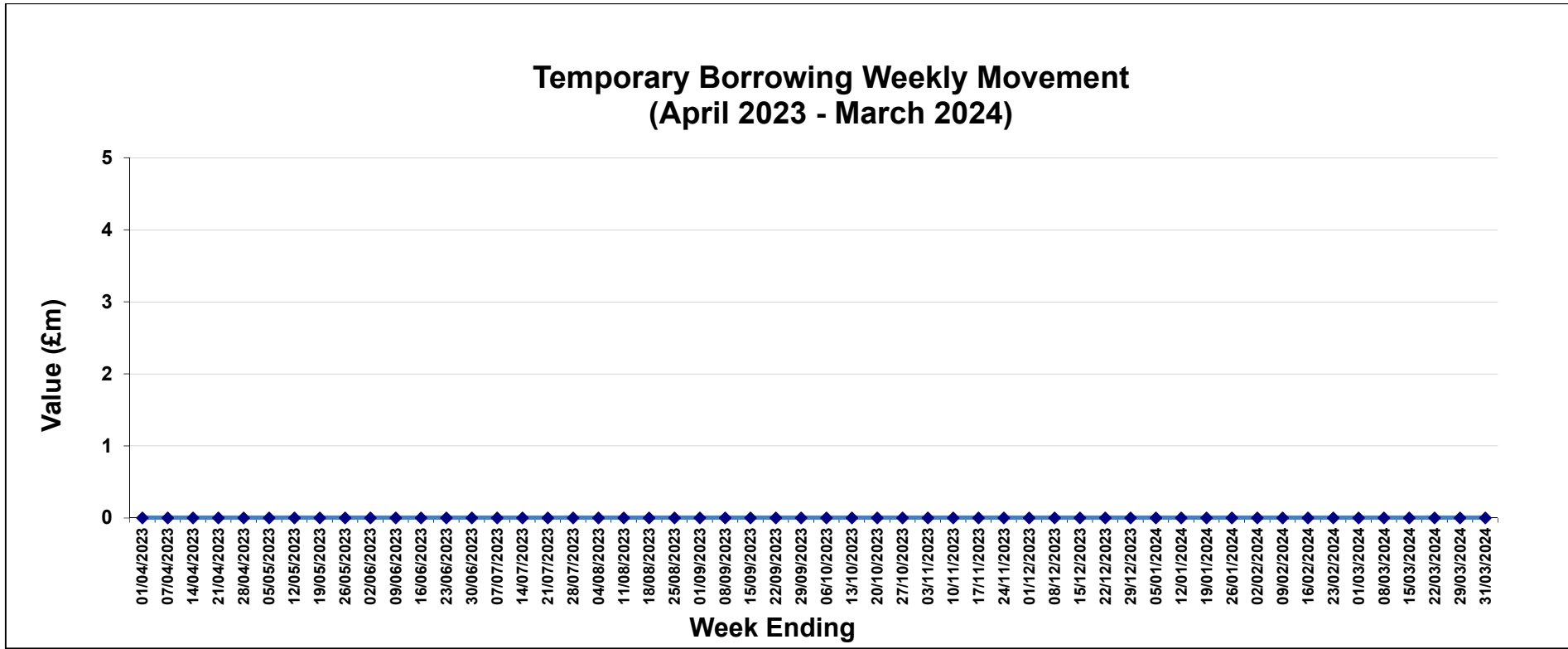
Credit ratings of organisations on the counter-party list are subject to continuous monitoring and review to ensure that subject to available professional advice, approved organisations remain sound for investment purposes.

8. TREASURY MANAGEMENT RISK

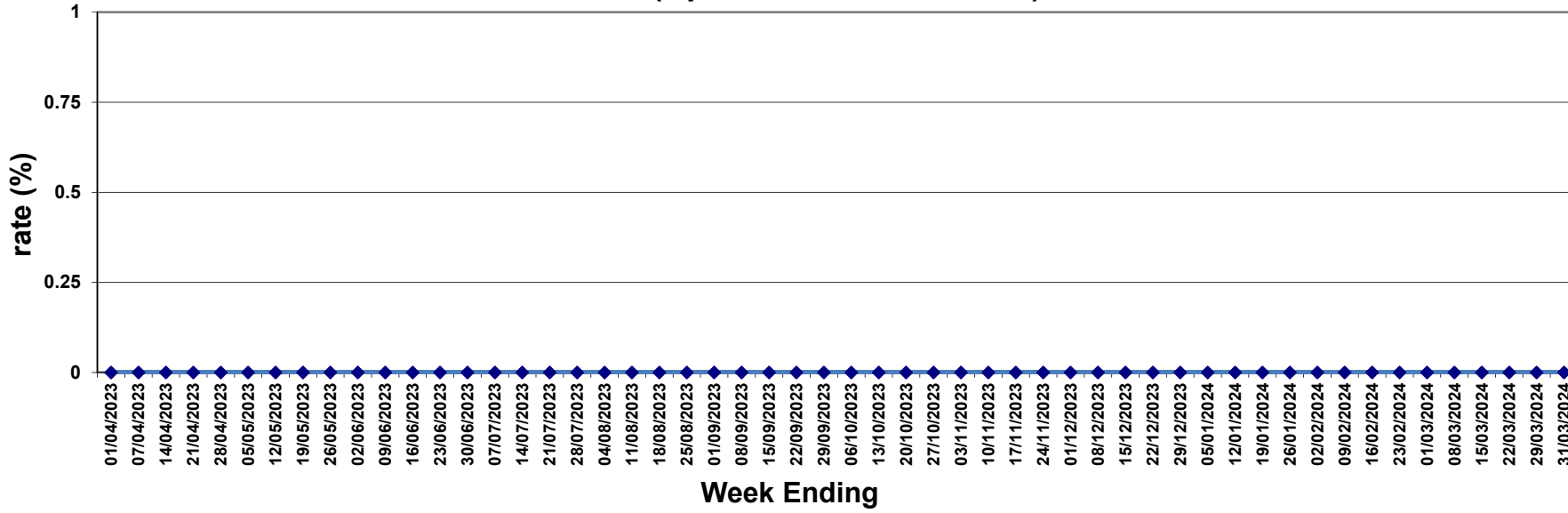
Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk the Council has six Money Market Funds which provide highly diversified investments.



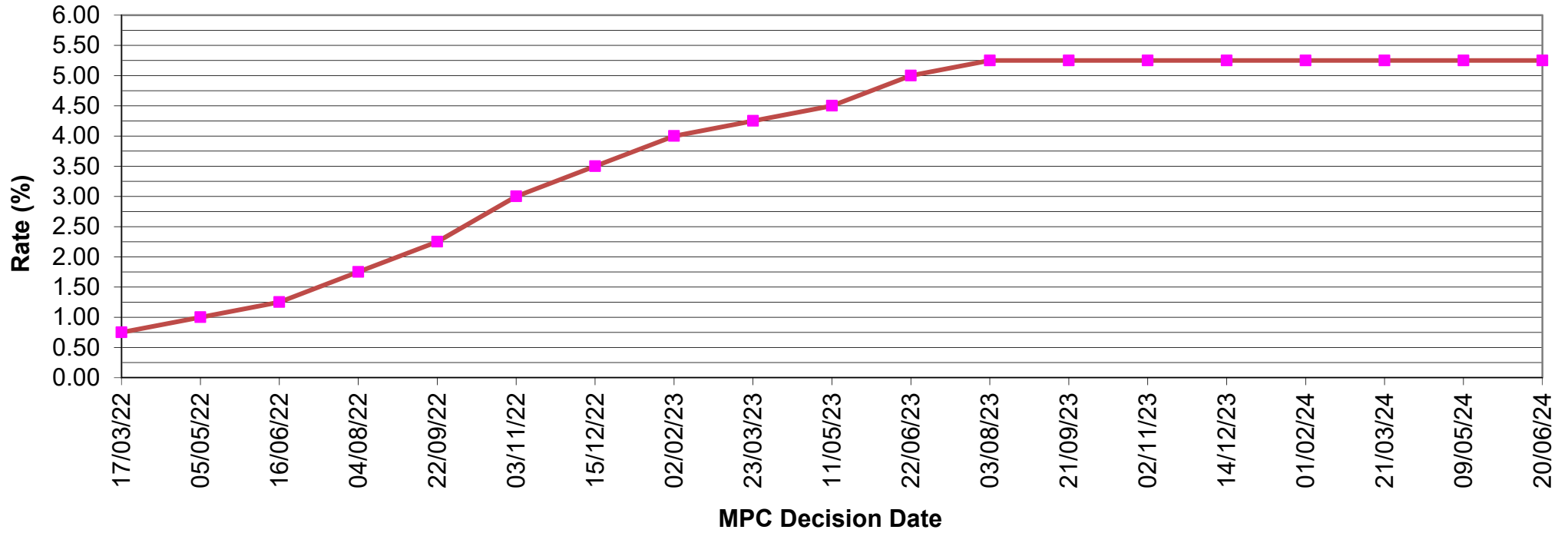




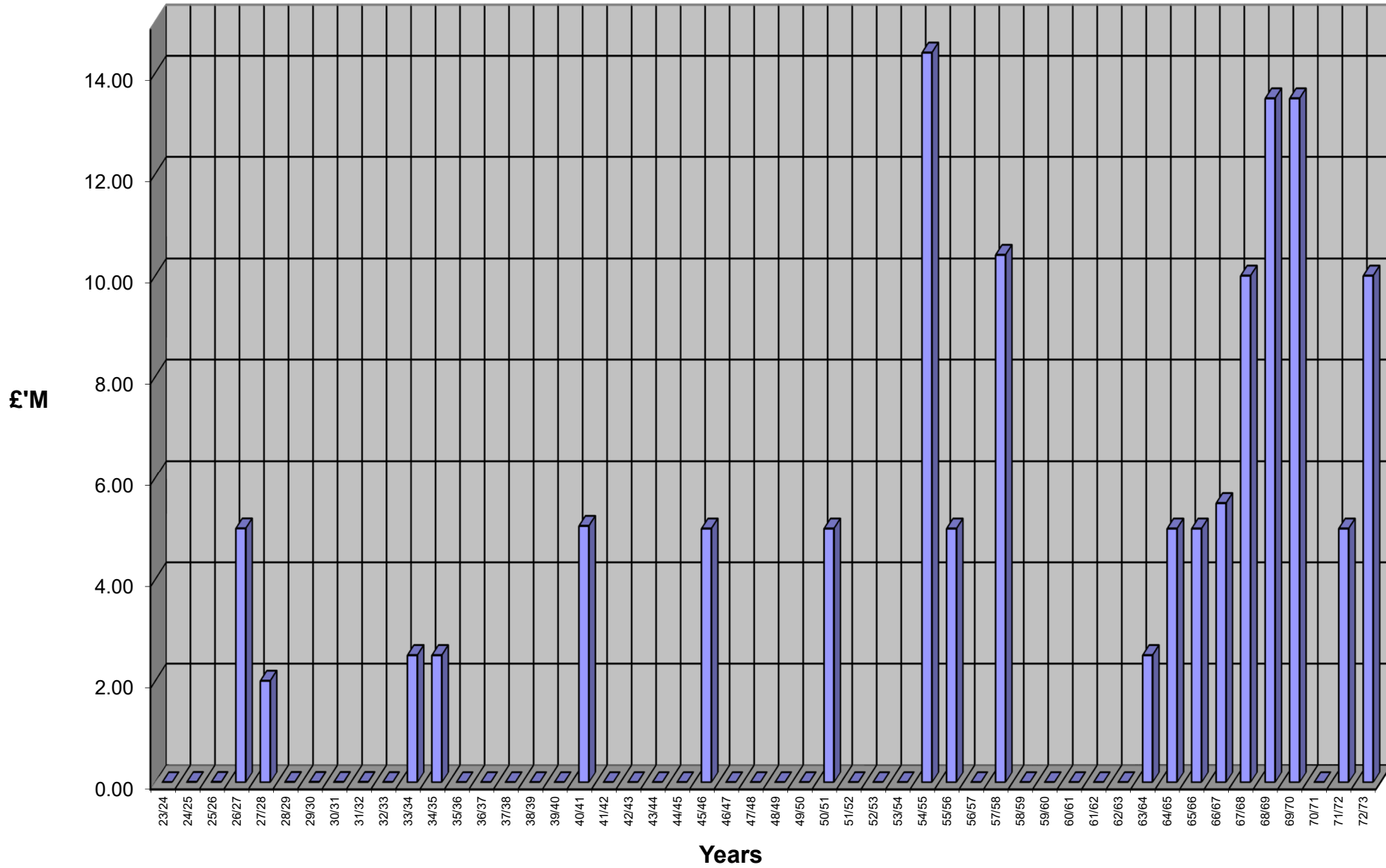
Temporary Borrowing Interest Rate Movements (April 2023 - March 2024)



Bank of England Base Rate Movements (April 2022 to June 2024)



Long Term Debt Maturity Profile as at 31/03/2024



EAST RENFREWSHIRE COUNCIL

ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS
Limits

Banking Group	Individual Counterparty	Deposit	Transaction
Bank of England	Debt Management Office	£30m	£10m
	UK Treasury Bills	£5m	£5m
Barclays Banking Group	Barclays Bank plc	£5m	£5m
Goldman Sachs International Bank		£10m	£10m
Lloyds Banking Group:	Bank of Scotland plc	£10m	£10m
	Lloyds Bank Corporate Mkt (NRF)		
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	£5m	£5m
	National Westminster Bank		
Santander Group	Santander UK plc	£10m	£10m
Standard Chartered Bank		£10m	£10m
Clydesdale Bank		£5m	£5m
Building Societies			
Nationwide		£10m	£10m
Local Authorities			
All Local Authorities including Police & Fire		£5m	£5m
Money Market Funds and Ultra-Short Dated Bond funds			
Maximum limit of £10m per fund		£60m	£10m

Credit Ratings

	Fitch		Moody's		S&P	
	LT	ST	LT	ST	LT	ST
Minimum Criteria (unless Government backed) (please note credit ratings are not the sole method of selecting counterparty)	A-	F1	A3	P-1/P-2	A	A-1/A-2

Limit

Investment of surplus funds is permitted in each of the above organisations, limits can only be exceeded or another organisation approved with written permission of the Chief Financial Officer.

Deposit Periods

The maximum period for any deposit is based on the Link Asset Services suggested Duration matrix with a maximum of 6 months. These limits can only be exceeded with the written permission of the Chief Financial Officer.

Hub scheme deposit periods are dependent on the lifetime of the associated scheme.

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE8 August 2024Report by ClerkNATIONAL EXTERNAL AUDIT REPORT
LOCAL GOVERNMENT BUDGETS 2024/25**PURPOSE OF REPORT**

1. To provide information on the Audit Scotland report on *Local Government Budgets 2024/25*.

RECOMMENDATION

2. It is recommended that the Committee considers the report.

BACKGROUND

3. A copy of the Audit Scotland report [Local Government Budgets 2024/25](#), published in May 2024, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Member leading the review of this particular report is Councillor Morrison.
4. The Head of Accountancy (Chief Financial Officer) has provided comments on the report. A copy of that feedback is attached (Appendix A refers).

RECOMMENDATION

5. It is recommended that the Committee considers the report.

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)
e-mail: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers:-

1. Audit Scotland report [Local Government Budgets 2024/25](#)

BLANK PAGE

EAST RENFREWSHIRE COUNCILAUDIT and SCRUTINY COMMITTEE8 August 2024REPORT BY HEAD OF ACCOUNTANCY (CHIEF FINANCIAL OFFICER)ACCOUNTS COMMISSION BRIEFING: LOCAL GOVERNMENT BUDGETS 2024/25**INTRODUCTION**

1. In May 2024 Audit Scotland prepared their briefing on local government budgets and budget gaps for 2024/25. This report advises members on the Council's position in relation to the findings from the report.
2. This is the first time such a national report has been compiled and the varying approaches to budget setting and reporting across Councils have made some comparisons challenging. It is hoped that data will be produced in a more standardised manner in future.

REVENUE BUDGETS

3. Councils are required by law to set a balanced budget each year. The cost of services is covered mainly by Government grant, with a lesser element funded by Council Tax, other grants and Council fees and charges. Where these funding streams are not enough to cover planned Council expenditure, the "budget gap" is generally closed by applying savings and/or using reserves or fiscal flexibilities.
4. Whilst Scottish Government grant funding to Councils rose by 5.7% in real terms in 2024/25, Councils budgets are still constrained as most of this increase was directed to deliver Government priorities (including social care and free school meals) and to contribute towards agreed pay deals. COSLA considers that, excluding these directed elements, the grant settlement represents a flat cash position as against 2023/24. Councils have, however, welcomed a reduction in the ring-fencing of grant funding, as set out in the Verity House Agreement.
5. In addition to the above Government grant funding, Councils also received £147m of recurring funding to compensate them for the 2024/25 Council Tax freeze announced by the Scottish Government in October 2023. This was intended to equate to a 5% increase and in East Renfrewshire the difference was relatively small, with the funding in line with a Council Tax increase of over 4.6%. The unexpected announcement did, however, make the budget setting process more challenging, reducing local discretion and restricting the base for future years' increases.
6. The report states that the 2024/25 total budget gap of £585m for all Councils represented around 3.5% of budget. Exhibit 3 of the report shows that East Renfrewshire's £12m gap was close to this level. Our budget was set, however, before the Government confirmed a late £63m increase in the settlement, so our budget gap may not have been calculated on the same basis as those of some other Councils and actually came in around £11m. The phasing of savings in Councils who planned multi-year budgets also impacted on the comparability of figures across Councils.

7. In common with most other Councils, East Renfrewshire Council closed its budget gap through a combination of savings and the use of fiscal flexibilities (PFI service concession debt adjustment) and reserves.

8. Whilst use of reserves and fiscal flexibilities is not sustainable in the future, the Council has recognised this and factored this into its longer term financial planning.

9. In terms of savings, the Council adopted good practice in minimising unallocated savings and in ensuring that its identified savings were recurring. The report notes that we were one of only 6 Councils who did not consult with residents in the year prior to setting the 2024/25 budget, however it fails to acknowledge that we carried out a full consultation on our 2023/24 to 2025/26 3-year budget plans in autumn 2022.

10. The report notes that Councils raise £1.3bn each year from fees and charges. East Renfrewshire budgeted for just over £10m of such income for 2024/25. Charges are set in accordance with our Charging for Services policy and the average uplift was below the rate of inflation as some charges were not increased for 2024/25. No significant new charges were introduced for this year.

11. Looking further ahead, the report highlights that, when setting 2024/25 budgets, most Councils had also estimated their budget gaps for the next two years. After applying assumed Council Tax increases and use of fiscal flexibilities, these gaps still total some £393m for 2025/26 and £387m for 2026/27 and indicate that Councils will need to find recurring savings or increased income equating to 5% of their budgets over the next two years to be sustainable.

12. In Exhibit 5 of the report, East Renfrewshire's gaps of £8.3m in 2025/26 and £2.2m in 2025/26 represent around 3% of our annual budget and are slightly less than the Scottish average gap, however these figures are indicative only and have been arrived at after assuming Council Tax increases and fiscal flexibilities of £6.8m are applied in 2025/26. Further, the forecast 2026/27 gap has been calculated after a further £2.9m Council Tax increase has been applied and is also dependent on all of the previous year's £8.3m gap having been closed on a recurring basis. Such forecasts are clearly subject to many variables and will be kept under constant review by Accountancy staff.

CAPITAL BUDGETS

13. Overall capital budgets for 2024/25 were slightly higher than for 2023/24 (£3.1bn and £3m respectively) and East Renfrewshire was one of 13 Councils whose 2024/25 plans were less than those of the previous year (ERC capital plans 2024/25 £58m; 2023/24 £72m). This does not indicate a reduction in the Council's capital ambitions, but instead reflects the irregular pattern of major capital projects over time.

14. The report observes that a smaller proportion of capital expenditure is now funded via Scottish Government grants, with a corresponding increase in borrowing. This adds to pressures on revenue budgets, which then have to bear the costs of higher loan charge repayments. This has already been flagged as an issue for East Renfrewshire, where we forecast that loan charges will rise from around 6% of the Council's revenue budget in 2024/25 to 9% by 2029/30 due to the Council's stated capital ambitions.

TRANSPARENCY & CLARITY OF BUDGET PAPERS

15. Councils have adopted a range of organisational structures and reporting styles which make comparisons of budget reports difficult across different authorities. Audit

Scotland are keen to improve transparency in budget reporting across Scotland and, whilst East Renfrewshire already provide detailed analysis in our budget papers, we will work with our external auditors to consider any further local improvements which may be suggested in this regard.

CONCLUSION

16. The briefing provides a high level summary of the main issues facing Scottish Councils in setting their budgets for 2024/25. Almost all of the issues raised are relevant to the Council and it is clear that Councils will face increased scrutiny in this regard in the future.

17. East Renfrewshire will continue to work with our external auditors to explore whether we can further improve the transparency in our budget reporting and thus facilitate comparisons with other Councils.

18. The Accounts Commission and Audit Scotland plan to release similar briefings annually from now on.

RECOMMENDATION

19. The Committee is asked to consider and note the contents of this report.

Margaret McCrossan, Head of Accountancy, 15 July 2024

BLANK PAGE

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE8 August 2024Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2024/25 QUARTER 1**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2024/25 as approved in March 2024.

BACKGROUND

2. The work performed by Internal Audit is based on a rolling 5-year strategic plan, which is revised annually to take into account changes in circumstances. This report is provided to allow members to monitor the activities of Internal Audit and to oversee actions taken by management in response to audit recommendations.

AUDIT PLAN 2024/25 - PROGRESS REPORT QUARTER 1

3. A copy of the annual audit plan for 2024/25 is shown in appendix 1. Seven reports relating to planned 2023/24 audit work were issued since the last progress report, therefore all reports relating to planned 2023/24 have now been issued. No reports relating to 2024/25 have yet been issued. Appendix 3 gives detail of reports which were issued as part of the 2023/24 plan where the responses were received since the last progress report. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management or where any recommendation is not accepted but a satisfactory reason is given. The quarterly performance indicators for the section are shown in appendix 4.

4. Three new requests for assistance were dealt with using contingency time during the quarter all of which are still in progress.

RECOMMENDATION

5. The Committee is asked to:

- (a) note Internal Audit's progress report for quarter 1 of 2024/25

Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2024/25 PROGRESS REPORT QUARTER 1

Department	Title	Audit Number	Original No. of days	Status
Chief Executives				
Business	Accounts Payable	1	12	In progress
Operations & Partnerships	Accounts Receivable	2	12	In progress
	Cash Income and Banking	3	22	
	Council Tax – Reductions and Liabilities	4	24	
	Housing Benefits/UC – Assessment	5	30	
	Overtime	6	25	
Education	Cashless Catering and Parentpay	7	30	
	Early Learning and Childcare Payments	8	25	
	Schools cluster	9	40	In progress
Environment	City Deal	10	15	
	Commercial Rent	11	20	
	Energy and Fuel	12	25	
	Highways Maintenance	13	20	
	Project Management of Capital Projects	14	25	
Housing	Housing Allocations	15	28	
HSCP	Bonnyton House	16	10	
	St Andrews House	17	12	In progress
	Payments to Care Providers	18	25	
Computer Audit	Environmental Controls – General	19	10	
Other Bodies	IJB	20	15	
	Culture and Leisure Limited Trust	21	20	In progress
Various	Contract and Supply Management	22	25	
	Fraud contingency	23	50	
	General Contingency	24	40	In progress
	Follow up	25	50	In progress
	Previous year audits	26	31	Complete
			641	

INTERNAL AUDIT														
REPORTS AND MEMOS ISSUED 2024/25														
FILE REF	Audit No.	Subject	Department	DATE AUDIT STARTED	DATE REPORT MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Tot	H	M	L	E	Not accepted
MB/1210/ZC	25	Education Follow Up	Education	22/04/24										
MB/1211/ZC	9	Schools Cluster – St Ninian's	Education	22/04/24										
MB/1212/IM	2	Accounts Receivable	BO&P	30/4/24										
MB/1213/FM	21	ERCLT	ERCLT	20/05/24										
MB/1214/FM	21	ERCLT	ERCLT	30/05/24										
MB/1215/NS	17	St Andrews House	HSCP	10/7/24										
MB/1216/IM	1	Accounts Payable	BO&P	27/06/24										

Note: Audits issued in quarter are highlighted in bold

SUMMARY OF REPORTS ISSUED WHERE RESPONSES WERE RECEIVED SINCE LAST PROGRESS REPORT

APPENDIX 3

1. MB/1202/NS Application Audit of Council Tax

The review covered the following key control objectives

- Each transaction is authorised, complete, accurate, timely and input once only.
- User access controls are appropriate and system security access is sufficient.
- An appropriate level of control is maintained during processing to ensure completeness and accuracy of data.
- Controls ensure the accuracy, completeness, confidentiality and timeliness of output reports and interfaces.
- A complete audit trail is maintained which allows an item to be traced from input through its final resting place, and a final result broken down into its constituent parts.
- Arrangements exist for creating back-up copies of data and programs, storing and retaining them securely, and recovering applications in the event of failure

The system appears to be well controlled and appropriate monitoring and development is being carried out by the Systems Officer and Development Officer in the absence of a Product Owner. There are processes in place to ensure that jobs are being processed successfully, system reconciliations are carried out at regular intervals and that Standard Operating Procedures are in place to try to ensure an appropriate audit trail is in place to allow system transactions to be traced to their originating documentation.

A review of system access however showed leavers were still showing as having access to the system and there was limited documentation to support new users being added to the system. System access was the responsibility of the Product Owner but this post is still vacant and the Systems Officer has taken on this role and whilst some improvements in the process have been made there is still scope to strengthen these.

Four recommendations were made, three were classified as medium risk, and one as low risk. All recommendations were accepted by management. The medium risks and the management responses are replicated below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Consideration should be given to implementing an interim user check focussing on those users who have not changed password in the last 60 days to ensure licences are only being held by users who require access.	Medium	Yes	A user check focussing on those users who have not changed password in the last 60 days will be implemented to ensure licences are only held by users who require access.	Systems Officer	July 2024
4.1.2	An annual user audit should be completed covering all users with Line Managers asked to confirm if access is still required. Evidence of the annual review and response should be held to support the action taken.	Medium	Yes	An annual user audit will be completed covering all users with Line Managers asked to confirm if access is still required. Evidence of the annual review and response will be held to support the action taken.	Systems Officer	October 2024

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.3	All future requests for access to the system should be saved to a central folder to allow the reason for access and who granted access to be verified.	Medium	Yes	All future requests for access to the system will continue be saved to the folder being used for this purpose to allow the reason for access and who granted access to be verified.	Systems Officer	In Place

2. MB/1203/NS Council Tax Billing and Collection

The review covered the following key control objectives

- Procedures and regulations have been established and cover the processes
- Issue of demands for council tax meet legislative requirements and accounts are readily identifiable
- Various payment methods are available and accuracy of bills are checked before the payment run is carried out
- Procedures ensure amended/revised bills are supported by adequate evidence and that suppression cases are restricted and regularly reviewed
- Income collected is readily identifiable and updates relevant records promptly
- Reconciliations are undertaken to agree income collected, refunds made and housing benefits posted
- Data is held in accordance with policies and is secure

Testing carried out on the areas of billing and collection showed that generally there are appropriate controls in place to ensure that all liable properties are being billed and there are systems in place to monitor the collection of the amounts due.

The main area of weakness noted was in relation to reconciliations and the clearance of suspense accounts relating to the collection of Council Tax.

The previous audit report of Council Tax covering the areas of recovery and enforcement (MB1184NS) issued in April 2023 was also followed up. The report contained a total of 16 recommendations of which five are included again as part of this audit. The team should be commended on the efforts they have made to implement the majority of the previous recommendations especially at a time when additional pressures have been placed on the team and they have also been undergoing a significant restructure.

Eight recommendations were made, one was classified as high risk, four as medium risk, and three as low risk. All recommendations were accepted by management. The high and medium risks and the management responses are replicated below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Responsibility for the monitoring and clearance of Council Tax suspense accounts should be assigned and an SOP written and implemented covering the process to be followed.	High	Yes	This work will be carried out within the compliance team and a SOP will be created.	Accounts Payable/ Receivable Manager	31 March 2025

4.1.2	A decision on who is responsible for clearing historical items sitting in ledger suspense as well as the Council Tax system suspense should be taken to allow appropriate action to be taken on the historical items.	Medium	Yes	This work will be carried out within the compliance team.	Accounts Payable/ Receivable Manager	31 March 2025
4.3.1	Reports showing level and age of each debt should be reviewed regularly by management.	Medium	Yes	Reports showing level and age of each debt will be reviewed regularly by management.	Operations Manager & Senior Revenues Officer	31 March 2025
4.4.1	The functionalities within the new system to allow information to be handled in accordance with the data retention policy should be explored and documented.	Medium	Yes	The functionalities within the NEC system to allow information to be handled in accordance with the data retention policy has been documented by the supplier. Testing on the functionality was unable to be signed off due to inconsistencies in outcomes. We now have updated functionality which will be re-tested.	Development Officer & systems officer	31 March 2025
4.4.2	An exercise to cleanse the Council Tax documentation within Information@Work should be completed and appropriate action taken to ensure the Council's data retention policy is complied with.	Medium	Yes	An exercise to cleanse the Council Tax documentation within Information@Work will be completed using learnings from the current exercise being undertaken by HSCP. Using the experience and learnings of the HSCP exercise appropriate action will be taken.	Development Officer & systems officer	To be confirmed following the outcome of the HSCP exercise.

3. **MB/1204/FM HSCP Follow Up**

A full copy of this report and the responses has been circulated to Audit and Scrutiny Committee Members.

Three audits containing 34 recommendations were followed up as part of this audit. Good progress has been made in implementing the previously agreed recommendations with only eight still outstanding.

A total of eight recommendations were made as part of the follow up audit, two were high risk, two were medium risk and four were low risk. All recommendations were accepted by management for implementation.

4. **MB/1205/FM Rent Accounting**

The audit covered the following key control areas:

- Procedures are operated in accordance with legislation and the council's agreed written policy;
- There are adequate records and documentation to support rent arrears, each amendment made to the masterfile and the calculation of all gross rent amendments;
- Documentary evidence exists to record rent payments and support refunds made;

- Rent is charged on all housing property
- All relevant records and accounts are updated to record arrears transactions, rent increases, payments and refunds;
- Arrears are carefully monitored and recovery action initiated as and when necessary in accordance with the organisation's agreed written policy;
- Rents received are posted to the correct accounts and are banked in full;
- All rent transactions are initiated promptly for new and existing tenants and rent income is banked promptly.
- All rent transactions are legitimate and appropriate

Generally, procedures are operating well and in accordance with approved policies. Supporting documentation was readily available for samples selected and any anomalies were resolved with officers providing a reasonable explanation.

A review of system users identified that access levels need to be reviewed and leavers removed from system promptly. This exercise is now underway. Additionally, there are a large number of staff across various services who have systems access that allows them to process rent adjustments and rent write-offs. To provide assurance that all adjustments made to tenant's accounts are correct and bona fide it would be good practice to run regular reports for review to highlight any unusual adjustments.

Six recommendations were made, two were classified as medium risk and four as low risk. All recommendations were accepted by management. The medium risk recommendations and the management responses are reproduced below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.4.1	As part of the annual review exercise, all users' individual access rights should be checked to ensure that users only have access to parts of the system that are required for their role. Any users that have left the Council or changed role should have their access rights locked by adding an end date.	Medium	Yes	This is currently undertaken but was late for completion for 2024	Senior Housing Manager	30 June 2024
4.5.1	Adjustments processed to rent accounts in a given period should be reviewed by a senior officer and verified as being correct and bona fide.	Medium	Yes	Will be scheduled and recorded on a quarterly basis	Housing Service Manager (Service Delivery)	30 June 2024

5. MB/1206/NS City Deal

The scope of the audit was as follows:

- Reporting frequency of specified information is being adhered to.
- In awarding contracts, City Region Procurement Strategy and Council Contract Standing Orders have been complied with.
- Arrangements are in place to ensure that changes to project budgets are reflected in the overall programme budget and are recorded using appropriate documentation.
- Claims submitted to Scottish Government are accurate and have supporting documentation.
- Payments made are in accordance with approved City Deal expenditure.
- Risk management arrangements are in place, up to date and reviewed regularly

- Follow-up of previous city deal audit recommendations.

It was concluded that all amounts included in the claims submitted since the previous audit were able to be verified. However, it was noted that there were anomalies in relation to the allocation of staff time but these have now been resolved.

A review of the costs being allocated to each of the categories available showed that the overall allocation to Internal Council Management and External Consultants had exceeded the original budget amount as at Claim 32. It was highlighted as part of the previous audit that the budget available for these categories was getting close to the budget and in the response from management it was agreed that the budgets required to be re-profiled to take into account the changes to the City Deal programme since it was originally established. No such re-profiling has yet taken place.

Two recommendations were made, both were classified as low risk and were accepted by management.

6. MB/1207/NS Housing Benefits

The audit covered the following key control areas:

Fraud Detection and Prevention:

- Vetting and training of employees
- Do not redirect scheme
- Fraud referrals
- Data matching
- Undertaking and managing investigations
- Use of sanctions
- Security of data

Overpayments:

- Overpayments are accurately recorded and classified within the benefits system
- Adequate records are in place to demonstrate that all overpayments are identified and appropriate recovery action implemented
- Controls are in place to ensure that all write offs are justified and are in accordance with Council policy
- Security of data.

Follow up of the previous Housing Benefit audit was also carried out. Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily.

It was noted that the decision notices being issued to claimant notifying them of an overpayment did not provide much information in relation to how this had been calculated. In some cases the claimant also receives a statement of reason and this provides details of the calculation of the overpayment. It was noted that these are not always being issued.

In some cases the overpayment will be marked as unrecoverable and a report was obtained that provided some reasons as to why such a decision had been taken. The sample of payments taken were all due to a decision being taken by a Benefits Team leader but further investigation showed that there was limited documentation available detailing the reason for the decision and there was no documentation held that allowed for verification of the authorisation.

Additionally, it was previously recommended that the outstanding overpayments which were held in various systems were amalgamated to allow for a single source of overpayments as reference for assessors and that all outstanding overpayments were invoiced to customers.

Six recommendations were made, two were classified as medium risk and four as low risk and all were accepted by management. The medium risk recommendations and the management responses are reproduced below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.1	Consideration should be given to introducing an audit trail that documents the approval given for making an overpayment unrecoverable. This could be in the form of a memo from the Team Leader with details for the decision and this could be uploaded and held in Information @ Work.	Medium	Yes	An audit trail will be introduced as follows: - The team member approving an overpayment is made unrecoverable must create a notepad entry on Benefits giving details of their decision.	Team Leader Benefits & discretionary payments	31 July 2024
5.3.1	The exercise of amalgamating outstanding overpayments on the NEC system to allow for a single source for control and monitoring of outstanding overpayments should be completed per revised timetable provided.	Medium	Yes	The exercise of amalgamating outstanding overpayments on the NEC system to allow for a single source for control and monitoring of outstanding overpayments will be completed.	Team leader Debt recovery	31 December 2024

7. MB/1208/IM Chief Executives Follow Up

A full copy of this report and the responses has been circulated to Audit and Scrutiny Committee Members.

Four audits containing 18 recommendations were followed up as part of this audit. Good progress has been made in implementing the previously agreed recommendations with only three still outstanding.

A total of seven recommendations were made as part of the follow up audit, four of which were new recommendations. Two of the recommendations were classified as medium and five as low risk. All recommendations were accepted by management for implementation.

8. MB/1209/IM IT Asset Management

The scope of the audit was to ensure that all assets and licences are appropriately allocated to current employees and to ensure costs incurred are at the level appropriate to these assets. The audit focussed on the following:

- Analysis of the list of all IT assets and licences held
- Further analysis of these records cross referencing with current employees and leavers.
- Comparing current costs incurred against records held

The lists of assets and licences held need to be updated regularly to ensure that costs to the Council are minimised. The addition of employee numbers to the lists would greatly assist in allowing the lists to be updated when leaver information is available. Audit work has indicated that future contract negotiations could be impacted positively by reducing the number of licences covered in the contract to a more realistic level based on needs. This audit focussed on Local Government employees and the recommendations should equally be applied to cover assets and licences held within Education for teachers.

Nine recommendations were made, six were classified as medium risk and three as low risk. All recommendations were accepted by management except one which was partially accepted. The medium risk recommendations and the management responses are reproduced below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Consideration to be given to the leavers process, specifically how a leavers device is stored and potentially reutilised to minimise the purchase of new devices across the Council.	M	Yes	A project is being initiated by Data Team to review and improve the leavers process with automation where possible although timescales for that work are not yet clear and this will need prioritised by Digital Transformation Boards. With specific reference to device storage, ICT do not have the capacity to store and manage leaver devices, as most of the devices are owned and therefore retained by the department for replacement staff.	Director of Business Operations and Processes	TBC
4.3.1	Periodic checks should be carried out to ensure the UMRA system continues to fully delete users from both the licence and assets lists when they leave the organisation	M	Yes	This process occurs twice per year and as required when license capacity is reached.	ICT Service Delivery Manager	Ongoing
4.5.1	Ensure checks are in place to confirm all licences allocated to leavers are fully disabled as they leave the organisation.	M	Yes	Manual checks are now in place.	ICT Service Delivery Manager	End August 2024
4.7.1	Review full list of employees who currently show as requiring a licence but are not a current employee or a leaver to remove all non-active users as appropriate unless a department has confirmed the requirement to allow them access to a licence.	M	Yes	Customers accounts have been removed. Not all of those supplied were leavers, so have been re-instated.	ICT Service Delivery Manager	Complete
4.8.1	The database of users should be periodically verified and updated to ensure that accurate information is available to inform the contract renewal requirements on number of licences.	M	Yes	This is completed annually (changing to 6 monthly from this point) in advance of Enterprise Agreement Anniversary to ensure minimal/optimal costs incurred on this contract.	ICT Service Delivery Manager	Ongoing
4.9.1	Employee numbers should be added to the lists maintained by IT for assets and licences to facilitate keeping the lists up to date and enabling data matches to	M	Partially	Employee Number is added to Active Directory if available at the point when the account is set up. There is no field available in SCCM or MS Intune to add employee number as this would not be appropriate as these applications manage	ICT Service Delivery Manager	Ongoing

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
	leavers information to be easily and accurately carried out.			devices, independently of the staff member that uses them. However, MS Intune links the primary user to the device, using UPN (which in this case is email address).		

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> • Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. • Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> • There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. • Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Area is generally well controlled or minor control improvements needed. • Lower level controls absent, not being operated as designed or could be improved

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 1 Actual 2024/25	Quarter 1 Cumulative 2024/25
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	77%	77%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	3	3
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	30.5%	30.5%
5. Issue of Reports.			
5.1 Number of 2024/25 audit reports issued per quarter excluding ERCLT.	-	0	0
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	n/a	n/a
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	n/a	n/a

Notes

1. Average weeks calculated as working days divided by 5. This is calculated excluding ERCLT audits.
2. Working days excludes weekends, public holidays, annual leave and sickness absence. This is calculated excluding ERCLT audits.