

EAST RENFREWSHIRE COUNCILCABINET15 August 2024Report by Head of Accountancy (Chief Financial Officer)FINANCIAL PERFORMANCE FOR YEAR ENDED 31 MARCH 2024**PURPOSE OF REPORT**

1. To advise the Cabinet of the financial results for 2023/24 and to compare the out-turn with the final budgetary control statement for the year which was submitted to Cabinet on 28 March 2024. The report also provides details of the Devolved School Management funds held by each school/centre as at 31 March 2024.

RECOMMENDATIONS

1. It is recommended that members:
 - (i) note the outturn position compared to the previous Budgetary Control Report;
 - (ii) note that once the audit has been completed, the final accounts will be submitted to a future meeting of the Council along with the External Auditor's report, and
 - (iii) note the amounts held in the Devolved School Management earmarked reserve as at 31 March 2024 (Please see annex A).

OUTTURN

2. Subject to audit, the financial results contained in the Accounts for the 2023/24 financial year are satisfactory.

- The Council's financial affairs have again been managed within its operational budget, returning departmental budget surpluses totalling £6.878m, much of which were of a one-off nature. This was due to increased income, including interest earned on temporary investment balances (£2.5m), as well as a £2.7m recovery from HMRC relating to a successful VAT appeal dating back to 2006, underspends on staff vacancies (£0.8m), utilities (£1.4m) and catering services (£1.3m). These were partly offset by various items including increased homelessness pressures (£0.6m), and an under-recovery of garden waste income (£0.3m), in addition to a contribution made to HSCP (£0.9m) to assist them with the increasing demand on social care services.
- From the surplus achieved, a total of £6,200k has been allocated to the following earmarked reserves to address future pressures faced by the Council:

- Repairs & Renewal Fund £1,000k

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▪ Capital Reserve	£1,000k
▪ Modernisation Fund	£2,000k
▪ Workforce Restructuring Fund	£1,000k
▪ Employee Wellbeing & Development Fund	£600k
▪ Community Capacity Fund	£200k
▪ Feasibility Fund	£200k
▪ Get to Zero Fund	£200k

The balance of £678k has been allocated to the non-earmarked reserve

- The balance in the Council's non-earmarked reserve as at 31 March 2024 is £7,336k which equates to 2.3% of the annual budgeted net revenue expenditure and is within the Council's Reserves policy to hold a minimum level of around 2% and an upper target of 4%.
- Significant Covid-19 spend of £6,794k has been incurred during the year from the Covid-19 reserve, set up at the end of the 2020/21. The year-end Covid-19 reserve balance was £1,768k and this has been fully committed in 2024/25 to support residents and the local economy.
- The Council's overall General Fund reserve balance (including earmarked funds) as at 31 March 2024 totals £41,800k. This is a decrease of £10,314k from last year with reductions in the Service Concessions, Covid and Unspent grants reserves being partly offset by increases in the balances on the Modernisation Fund, Commuted Sums, Employee Wellbeing & Development Fund and the general non-earmarked reserve. In total, over £34,464k of General Fund reserve balance is earmarked for specific purposes.
- Capital Expenditure of £46,485k was invested during 2023/24 despite progress on sites being impacted by increased costs and resource shortages.
- An operational deficit of £97k has been made on the Housing Revenue Account, this decreasing the accumulated surpluses brought forward on that Account to £1,701k.

COMPARISON TO BUDGETARY CONTROL

3. The Budget Monitoring Report for Period 9 submitted to Cabinet on 28 March 2024 forecast an underspend of £2,617k in 2023/24. At the year-end the favourable variance improved to £6,878k. This improved year end position related mainly to increased income, including interest earned on investment deposits which was only confirmed at year end, underspends on staff vacancies and contract savings as a result of tight financial controls. In addition, the anticipated overspend within the Health & Social Care Partnership was less than had been forecast due to increased grant income and reductions in care and administration costs.

DEVOLVED SCHOOL MANAGEMENT

4. Devolved School Management (DSM) was introduced in 1993 by the then Scottish Executive requiring councils to devolve 80% of school budgets to Head Teachers to give them the autonomy to make decisions on resource allocation and priorities subject to local consultation.
5. Since then DSM has evolved to reflect the changing landscape within which schools operate. Such changes include policy, procedural, legislative and the economic and financial climate.
6. The Current ERC DSM scheme allows for Head Teachers/Heads of Centre to transfer unspent funds at the end of each financial year to a DSM reserve, subject to an agreed limit and certain conditions being met. The maximum amount held in each school/centre's DSM reserve at the end of the financial year can be no greater than 6% of the total devolved budget for that year. This approach is consistent with national DSM principles and guidance intended to assist school leaders in managing budgets given the school year does not align with the financial year. As budget pressures have increased on all departments, this arrangement also allows school leaders to smooth the introduction of any required savings.
7. At 31 March 2024 the amount held by the council in the DSM earmarked reserve totalled £3,773k and members are requested to note the makeup of this reserve by school/centre along with prior year comparison and the percentage of the 2023/24 devolved budget that this represented. (Please see annex A).

RECOMMENDATIONS

8. It is recommended that members: -
 - (i) note the outturn position compared to the previous Budgetary Control Report;
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 - (iii) note the amounts held in the Devolved School Management earmarked reserve as at 31 March 2024 (Please see annex A).

BACKGROUND PAPERS

A full copy of the Council's unaudited accounts can be accessed within the papers for the Audit & Scrutiny Committee of 20 June 2024

The approved report on the Scheme of Devolved School Management can be found using the following link.

https://www.eastrenfrewshire.gov.uk/media/7397/Cabinet-item-09-10-March-2022/pdf/Cabinet_item_09_-_10_March_2022.pdf?m=63781380318600000

KEYWORDS

Financial performance, reserves, annual accounts, accounting policies, corporate governance

Further information is available from Barbara Clark, Chief Accountant
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Establishment	Balance 31-3-23	Balance 31-3-24 (Pre Audit)	Reserves as % of 2023/24 Budget
Arthurlie Family Centre	£ 12,963	£ 54,334	2.8%
Braidbar Nursery	£ 1,962	£ 360	0.1%
Busby Nursery	£ 20,051	£ 2,300	0.6%
Calderwood Lodge Nursery	£ 37,563	£ 23,554	3.9%
Carlibar Nursery	£ 31,399	£ 36,584	6.0%
Carlibar Pre-School Assess Unit (PSADU)	£ 6,496	£ 6,358	4.8%
Carolside Nursery	£ 12,254	£ 13,871	2.6%
Cart Mill Family Centre	£ 49,097	£ 41,089	4.8%
Crookfur Family Centre	£ 51,500	£ 31,217	3.4%
Cross Arthurlie Nursery	£ 2,950	£ 21,602	5.1%
Eaglesham Nursery	£ 28,606	£ 26,190	5.3%
Giffnock Nursery	£ -	£ 5,973	2.6%
Glen Family Centre	£ 23,182	£ 52,937	6.0%
Glenwood Family Centre	£ 2,035	£ 11,012	1.0%
Hazeldene Family Centre	£ 28,562	£ 29,586	3.9%
Isobel Mair Family Centre	£ 26,207	£ 31,203	3.7%
Madras Family Centre	£ -	£ 46,449	4.4%
Maidenhill Nursery	£ 23,543	£ 27,726	4.6%
McCready Family Centre	£ 1,624	£ 47,959	6.0%
Mearns Nursery	£ 20,595	£ 21,115	5.9%
Netherlee Nursery	£ 18,371	£ 11,075	2.2%
Overlee Family Centre	£ 25,302	£ 33,974	6.0%
St Cadoc's Nursery	£ 13,554	£ 21,072	5.9%
Thornliebank Nursery	£ 755	£ -	0.0%
Braidbar Primary	£ 26,178	£ 19,925	1.8%
Busby Primary	£ 74,194	£ 55,779	4.1%
Calderwood Lodge Primary	£ 65,671	£ 55,991	4.4%
Carlibar Primary	£ 97,367	£ 101,189	5.8%
Carolside Primary	£ 128,541	£ 103,379	3.9%
Crookfur Primary	£ 62,819	£ 15,944	0.7%
Cross Arthurlie Primary	£ 56,370	£ 49,780	2.9%
Eaglesham Primary	£ 46,946	£ 32,738	1.8%
Giffnock Primary	£ 10,021	£ 13,090	0.8%
Hillview Primary	£ 32,440	£ 42,769	3.0%

Kirkhill Primary	£	87,793	£	63,903	2.5%
Maidenhill Primary	£	63,837	£	78,342	4.3%
Mearns Primary	£	165,959	£	77,119	2.4%
Neilston Primary	£	20,409	£	58,231	3.6%
Netherlee Primary	£	119,302	£	113,072	4.2%
Our Lady of the Missions Primary	£	74,136	£	56,530	1.7%
St Cadocs Primary	£	41,456	£	23,998	1.1%
St Clare's Primary	£	25,958	£	35,075	2.1%
St John's Primary	£	65,897	£	77,962	5.6%
St Josephs Primary	£	56,812	£	41,735	2.6%
St Mark's Primary	£	27,028	£	51,827	3.0%
St Thomas Primary	£	38,861	£	45,380	5.0%
Thornliebank Primary	£	13,205	£	6,226	0.5%
Uplawmoor Primary	£	29,322	£	22,958	4.4%
Gaelic Medium	£	-	£	2,240	2.7%
Barrhead High	£	234,175	£	304,589	6.0%
Eastwood High	£	371,321	£	184,491	2.4%
Mearns Castle High	£	305,795	£	286,609	3.3%
St Lukes High	£	131,096	£	160,953	3.2%
St Ninians High	£	589,083	£	332,438	3.0%
Williamwood High	£	508,078	£	223,974	2.3%
Woodfarm High	£	183,675	£	188,613	3.5%
Carlibar Comm Unit	£	44,028	£	46,392	2.9%
Carolside Communication Centre	£	-	£	3,700	3.0%
Isobel Mair	£	14,184	£	178,093	4.5%
Outreach Project	£	5,301	£	9,254	4.9%
Secondary - Language & Communication Unit	£	40,161	£	11,539	1.4%
Sensory Support Service	£	2,600	£	-	0.0%
	£	4,298,590	£	3,773,367	