

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

26 September 2024

Report by Head of Accountancy (Chief Financial Officer)

2023/24 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST  
RENFREWSHIRE COUNCIL

## **PURPOSE OF REPORT**

1. The Audit of the Council's Annual Accounts for 2023/24 has been completed and a copy of the Accounts is now submitted for consideration by the Audit and Scrutiny Committee. In addition, the draft Annual Audit Report to the Council and the Controller of Audit for 2023/24 has been prepared by the External Auditors making reference to the International Standard on Auditing (ISA) 260 to those charged with governance.

## **RECOMMENDATION**

2. The Committee is invited to: -
- Consider the draft 2023/24 Annual Audit Report to the Council and the Controller of Audit which makes reference on ISA 260 matters to those charged with governance;
  - Note and comment on the content of the Council's Annual Accounts for 2023/24, including the Management Commentary, Annual Governance Statement, Accounting Policies and Audit Certificate ;
  - Consider the Letter of representation from the Council to Ernst & Young (Appendix 2); and
  - Remit the report to Council for consideration.

## **BACKGROUND**

3. The external audit of the Council's Annual Accounts for 2023/24 has now been completed and the Council has been awarded an audit certificate which has no qualifications. A copy of the Accounts is attached as Appendix 1.

## **REPORT**

4. The financial position of the Council continues to be satisfactory. In particular, the Accounts show that: -

- The Council's financial affairs have again been managed within its operational budget, returning departmental budget surpluses totalling £6.844m, 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.

- The £6.844m was allocated as follows:
  - £1m each to the Repairs and Renewals fund and Capital reserve, which both sit out-with the General Fund
  - £4.2m to various General Fund earmarked reserves, being
 

▪ Modernisation Fund	£2.0m
▪ Workforce Restructuring	£1.0m
▪ Employee Wellbeing & Development	£0.6m
▪ Community Capacity Building	£0.2m
▪ Feasibility fund	£0.2m
▪ Get to Zero	£0.2m
  - £0.644m to be retained in the unearmarked General Reserve resulting in a closing balance of £7,302k, equating to 2.3% of the overall net budgeted revenue expenditure (i.e. within the recommended 2-4% range).
- The Council's overall General Fund reserve balances as at 31 March 2024, after the above allocations, total £41.766m and are set out in Note 11 of the Accounts. This is a decrease of £10.348m 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 £34.5m of General Fund reserve balances are earmarked for specific purposes.
- Capital Expenditure of £46,485k was invested.
- There has been an operating deficit of £146k on the Housing Revenue Account, this decreasing the accumulated surplus balance to carry forward as at 31 March 2024 to £1,652k.

## **DRAFT ANNUAL AUDIT REPORT AND LETTER OF REPRESENTATION**

5. A copy of the draft Annual Audit Report, which provides an overview of the main issues arising from the 2023/24 Audit of the Council, has been prepared and makes reference on ISA 260 matters to those charged with governance. In addition the Letter of representation is also attached. The Committee is invited to consider the documents. The External Auditors will be attending the Audit and Scrutiny Committee meeting to speak to and discuss these. The finalised Annual Audit Report will be circulated to members in due course.

**RECOMMENDATION**

6. The Committee is invited to: -

- Consider the draft 2023/24 Annual Audit Report to the Council and the Controller of Audit which makes reference on ISA 260 matters to those charged with governance;
- Note and comment on the content of the Council’s Annual Accounts for 2023/24, including the Management Commentary, Annual Governance Statement, Accounting Policies and Audit Certificate;
- Consider the Letter of representation from the Council to Ernst & Young (Appendix 2); and
- Remit the report to Council for consideration.

**REPORT AUTHOR**

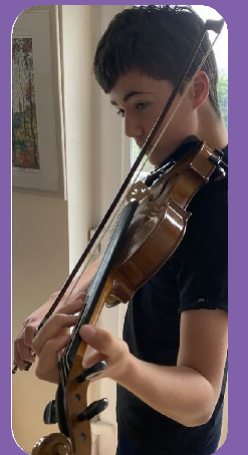
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Report Date - 11 September 2024

**BACKGROUND PAPERS**

This report refers to the Council’s Annual Accounts for 2023/24 and the External Auditor’s Annual report to the Council and the Controller of Audit for 2023/24, and Letter of Representation.

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# EAST RENFREWSHIRE COUNCIL AUDITED ANNUAL ACCOUNTS 2023/24





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# Management Commentary

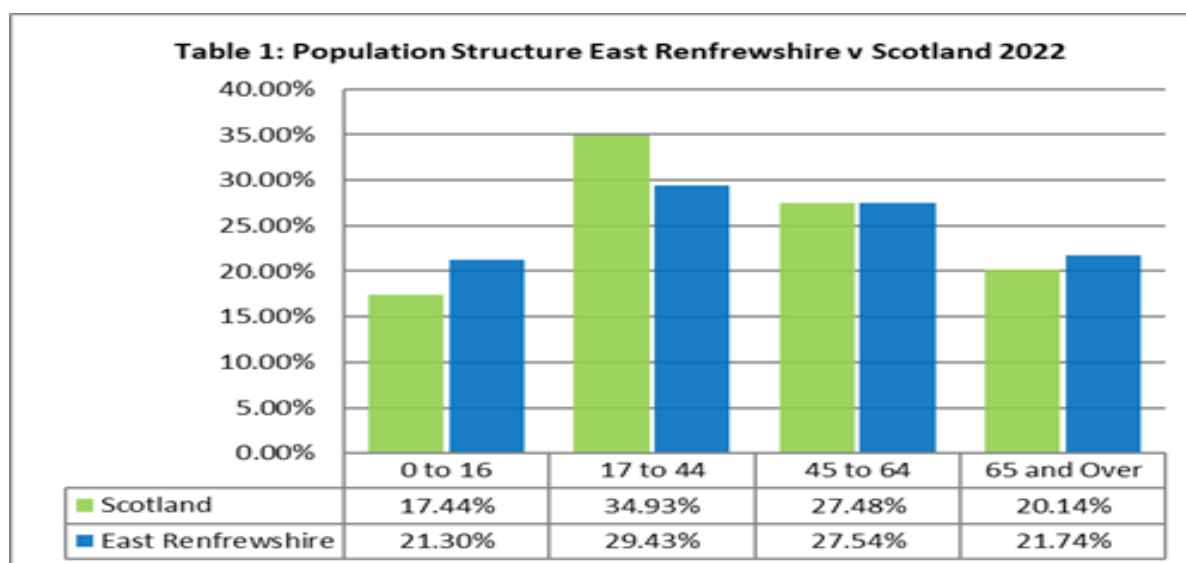
## 1. Introduction

This statement outlines key messages on the objectives and strategy of the Council and its financial performance during 2023/24 and also indicates issues and risks which may impact upon the finances of the Council in the future.

### East Renfrewshire and the local authority

East Renfrewshire is situated to the south of Glasgow. It covers an area of 67 sq miles (174 sq km). The north of the area comprises the urban areas of Giffnock, Newton Mearns, Clarkston, Thornliebank and Barrhead. Each of these settlements has a distinctive character. In the extensive hinterland to the south, lie the villages of Uplawmoor, Neilston, Waterfoot and Eaglesham. Approximately 16% of the area is urban and 84% is rural.

The population of East Renfrewshire at 30th June 2022 was 97,160\*. This is our highest ever population, with an increase from 2021 of 0.6%. The 2018 Population Projections show that East Renfrewshire’s population is to continue to steadily increase, but at a lower rate than the previous projection. The table below compares the current population of Scotland and East Renfrewshire, and shows that East Renfrewshire has a higher proportion of the population under the age of 16, compared to that of Scotland, as well as a higher proportion of those aged 65 and over.



\*Source 2022 Mid-Year Population Estimates, National Records of Scotland

The council provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and housing. There are eighteen councillors, across five multi-member wards, representing the interests of the community. The composition of both the council and administration in 2023/24 was 6 SNP, 5 Labour, 5 Conservative and 2 independent, with a minority administration comprising 5 labour and 1 independent. The management of East Renfrewshire was led by the Chief Executive, Lorraine McMillan who retired in the summer of 2023 and has been followed by Steven Quinn on 14 August 2023. Steven Quinn is the fourth Chief Executive of East Renfrewshire Council.

### Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which, as certified by the Chief Financial Officer in the Statement of Responsibilities, present a true and fair view of the financial transactions of the Council operating as a going concern





# Management Commentary (cont'd)

during the year to 31st March 2024. The Accounts are prepared in accordance with the 2023/24 Code of Practice on Local Authority Accounting in the United Kingdom.

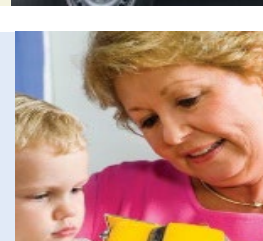
The financial statements show the Council's main sources of funding and provide an account of expenditure on service activities. A summary of the Council's Financial Performance is provided later in this Commentary.

The accounts identify two major categories of expenditure, Revenue and Capital. Revenue spending covers the day to day operational expenditure for each service while capital spending covers expenditure on the acquisition, construction and improvement of assets needed to provide services where the benefits will be derived over a number of years.

## 1. Objectives and Strategy of the Council

East Renfrewshire Council's vision is to be a modern, ambitious council creating a *fairer future with all*. Following an in-depth analysis of need in our communities we have identified 5 ambitious outcomes that we are delivering on with our partners as set out in our [Community Plan 2018-2028](#) incorporating [Fairer East Ren Delivery Plans 2023/24](#), our local outcome improvement plan.

Our Outcomes are:-

<p><b>Early Years and Vulnerable Young People</b></p>	<p>All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed</p>	
<p><b>Learning, Life and Work</b></p>	<p>East Renfrewshire residents are healthy and active and have the skills for learning, life and work.</p>	
<p><b>Environment and Economy</b></p>	<p>East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.</p>	
<p><b>Safer, Supported Communities</b></p>	<p>East Renfrewshire residents are safe and live in supportive communities.</p>	
<p><b>Older People and People with Long-term Conditions</b></p>	<p>Older people and people with long-term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.</p>	



## Management Commentary (cont'd)

In order to deliver these outcomes well, we have also identified three capabilities that we need to excel at as a Council, prevention, empowering communities and digital change. These are the focus of our improvement work to maintain our position as one of the best councils in Scotland.



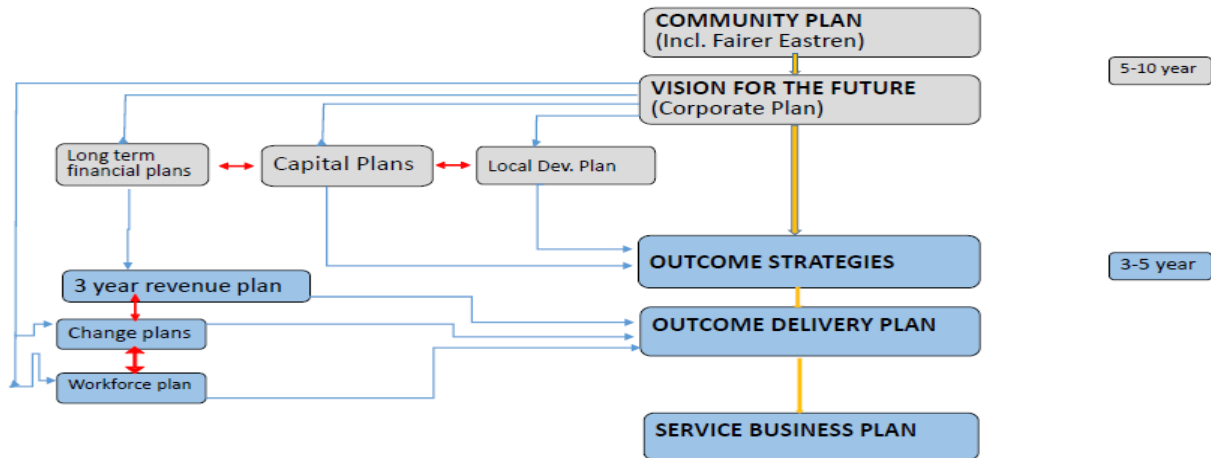
### Strategic Planning and Performance Outcomes

The Council has well established strategic planning and performance management arrangements which are embedded into the work of all employees linking our vision, strategic plans and outcomes through to services' improvement plans and employees' roles. All employees are working towards achieving our vision to be 'A modern ambitious Council creating a fairer future with all', with the ultimate aim to make people's lives better.

We have an integrated approach to strategic and operational planning. The diagram below illustrates how our medium and long term strategies and operational plans are integrated.



# Management Commentary (cont'd)



The Council considered a revised Vision for the Future, 'A Place to Grow' in September 2024. A Place to Grow sets out a forward direction and key ambitions for the local area between now and 2040. This vision will provide an overarching strategic framework and robust partnership approach for all future strategies and plans. A Place to Grow is a shared Community Planning Partnership document and this will inform our Local Improvement Plan and Council Plan from 2025/26 onwards.

Our **Community Plan** 2018 - 2028 (incorporating Fairer East Ren, East Renfrewshire's Local Outcome Improvement Plan) sets out the strategic outcomes and priorities for the Community Planning Partnership. For the Partnership and the Council there are joint strategic outcomes spanning individuals' life stages highlighted above.

**Fairer East Ren (FER) Delivery Plans 2023 – 2024** are the part of the Community Plan focusing on tackling inequalities and closing the gap between communities. These plans cover reducing child poverty, inclusive economic recovery, accessible transport, improved mental health and wellbeing and safe and connected communities.

Our **Outcome Delivery Plan (ODP) 2023/24** builds on Vision for the Future and conveys what the Council is doing to contribute to the delivery of the agreed Community Planning local outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency.

One year updates of Fairer East Ren and the Outcome Delivery Plans were approved at Council in April 2024. Link to plans click [here](#). These plans will be reported on in 2025.  
[Council Item 09 - 24 April 2024.pdf \(eastrenfrewshire.gov.uk\)](#)

## Our performance

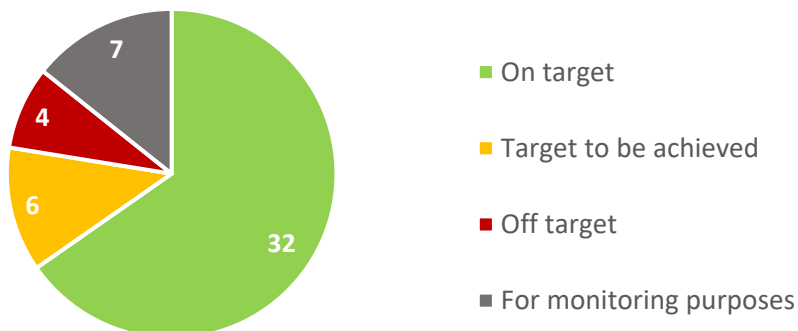
The Council's strategic performance management arrangements include a six monthly cycle of performance review meetings involving the Chief Executive, each Director and service managers, as well as elected members' scrutiny of performance at Council. The annual strategic end year performance report 2023/24 was considered at Council in September 2024.



## Management Commentary (cont'd)

### Performance overview Outcome Delivery Plan (2023-24)

#### Overview of ODP indicator status



Total: 49

An analysis of the strategic indicators in the Council’s Outcome Delivery Plan (2023/24) showed 32 targets were met, six indicators had an amber status (where although target was still to be achieved, this was not concerning). Targets for four educational indicators on literacy and numeracy under the Achievement of Curriculum for Excellence framework will be set for the academic year 2023/24 and reported to Education Committee in the autumn. These measures were included for monitoring purposes. A further two indicators were also included to monitor the direction of travel – a national indicator on percentage of adults supported at home who agreed that they are supported to live as independently as possible and a measure on reducing the gender pay gap.

Five indicators were off target and these are discussed below by outcomes, as well as examples of action being undertaken to achieve the outcomes for our residents, businesses and communities.

Despite ongoing budget restrictions and the additional demands still being placed on services overall we performed extremely well across our strategic outcomes including educational attainment, supporting local businesses, providing new affordable housing, improving the energy efficiency of our street lighting, reducing carbon emissions, and maintaining recycling rates above the Scottish average. Further information on progressing our strategic outcomes is listed below.

### Strategic Outcome 1 - All children in East Renfrewshire experience a stable and secure childhood and succeed.

#### Outcome 1 - Indicator status summary

Status	Definition	Number	Off Target Indicators
	On target	2	
	Target to be achieved	1	
	Off target	2	<ul style="list-style-type: none"> <li>• % of children, aged 5 and over, subject to child protection who have been offered advocacy</li> <li>• Breastfeeding at 6-8 weeks in the most deprived SIMD data zones</li> </ul>
	For monitoring purposes	0	

East Renfrewshire continues to be the sector leading in Children’s Services, supporting parents to provide a safe, healthy and nurturing environment for their families. We continue to see an increase in child protection activity across our teams. Despite an increase in referrals we continue to make decisions in a timely manner ensuring any safeguarding decisions are shared with robust multi



## **Management Commentary (cont'd)**

agency safety plans. The provision of advocacy services to children has improved at 65%, although we are behind target and continue to improve processes to ensure a more consistent offer. Breastfeeding rates in our most deprived (SIMD 1) area are continuing to improve, up from 17.9% to 19.2%. We are seeing very low drop off rates for breastfeeding between first visit and 6-8 weeks and we will seek to improve towards our target of 25%.





All eligible children, including those choosing to defer entry to primary 1, are able to access their statutory entitlement of up to 1140 hours of funded early learning and childcare. In seeking to meet their individual circumstances, families have a range of different models and settings to choose from, across both local authority and funded independent provision, including opportunities to access full time hours or purchase additional sessions to meet different commitments, such as employment, training or caring responsibilities.

Supporting children and young people with their attendance and engagement in learning is a key priority for the Council, with the new Learn Well service focussing specifically on this area. The service works in close partnership with young people, their families and schools, both online and in person, to ensure their educational needs are met and that a range of opportunities remain open for them. In addition, the service offers extracurricular activities aimed at young people and their families to encourage positive engagement within the family unit and participation in wider social experiences.

The Healthier Minds Service, continues to support the mental health and wellbeing of children and young people. The service continues to have a significant impact, with 97% of children & young people supported reporting improved mental health and wellbeing (up from 93% last year).

### **Strategic Outcome 2 - East Renfrewshire residents are healthy and active and have the skills for learning, life and work.**

**Outcome 2 - Indicator status summary**

Status	Definition	Number	Off Target Indicators
	On target	8	
	Target to be achieved	4	
	Off target	0	None
	For monitoring purposes	4	

East Renfrewshire Council continues to perform at the highest level ranking 1<sup>st</sup> or 2<sup>nd</sup> nationally across all measures, meeting our ambition to be one of Scotland’s top performing education authorities. In addition, the department continues to perform strongly across all other achievement measures. This performance is achieved very efficiently, ranking 1<sup>st</sup> in terms of cost per primary and better than the Scottish average on cost per secondary pupil place.

The efforts to tackle the attainment gap between the most and least deprived remains a key focus for the Council. Whilst there continues to be good progress, particularly in pupils achieving national qualifications, the gap in primary attainment continues to be higher than prior to the Covid-19 pandemic. Through the effective use of Pupil Equity Funding by schools, with support from the Education Department, and through the use of Strategic Equity Funding, the department is taking forward a range of interventions to achieve ambitious stretch aims.

For school leavers 2022/23 the participation rates of the education and employment activity of 16-19 year olds remains the highest level nationally, with 97.7% of 16-19 year olds participating. And for leavers 98.7% entered positive destinations (i.e. higher education, further education, employment, training, personal skills development and voluntary work). This was the highest to date and well above









## Management Commentary (cont'd)

the national average of 95.9%, demonstrating the strong partnership approaches in place between schools, the Developing the Young Workforce team and Skills Development Scotland.

Attendances at sports/leisure centres and library visits are increasing and East Renfrewshire Culture and Leisure Trust (ERCLT) are continuing to see growing numbers of residents participating in leisure activities and people using libraries. Our citizens' panel respondents' on perceptions of their own levels of participation in fitness activities have reduced. ERCLT are working hard with customers to understand their needs. Gym membership increased by 13% in 2023/24.

### **Strategic Outcome 3 - East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents**

#### **Outcome 3 - Indicator status summary**

Status	Definition	Number	Off Target Indicators
	On target	8	
	Target to be achieved	1	
	Off target	0	<b>None</b>
	For monitoring purposes	0	

East Renfrewshire Council continues to work with partners to ensure East Renfrewshire remains a thriving, attractive and sustainable place for businesses and residents. A focus has been to assist those furthest from the labour market into sustainable employment, training or education as well as helping increase footfall in our town centres by encouraging people to shop local via the Scotland Loves Local initiative and our Shop Local campaigns. We continue to provide a wide range of support and advice services in relation to town centre resilience, business survivability and growth and support to those looking for work or better paid work. In 2023/24 there was enhanced grant funding offered to local businesses to help develop and strengthen new and existing businesses based and trading within East Renfrewshire, 79 were supported in 2023/24 through the provision of grants valued at £453,845, exceeding the target of 50 businesses.

Although there has been some underspend (£1.3m) in the City Deal budget (off target) due to delays in two projects involving third parties, there has been progress in other regeneration projects. The Placed Based Investment Programme in 2023/24 funded over £475,000 in local regeneration projects which included the creation of a new outdoor community space at The Auchenback Resource Centre, further upgrades to Eaglesham Scout Hall, improvements to the Netherlee to Stamperland walkway and the creation of a 'community hub' at Crookfur House. Recycling rates decreased slightly in 2022/23 (58.1% to 56.0%) placing East Renfrewshire as the 3<sup>rd</sup> top recycling council in Scotland. This figure remains well above the national average of 43.3%.

The 2023/24 Citizens' Panel returned a 5% increase (91%) of respondents rating our parks and open spaces positively. We completed a range of projects in 2023/24 to improve the quality and ensure variety in the type of open space, play and sports facilities available to residents, including new tennis courts at Cowan Park and upgrading of play parks throughout the area.

Our Council target of building 270 new affordable homes in the period 2017-2023 (set within the Local Housing Strategy) has been exceeded with 413 being completed. 69 new affordable homes were brought into supply in 2023/24, with almost 80% of these units being new build homes for social rent. There remain challenges with the delivery of homes due to market conditions, the availability of land, labour and the rising costs of materials, however, there are a further 119 new affordable homes for social rent expected in 2024/25 – 2025/26. £3.3m has been invested in capital programme improvements for our tenants during 2023/24, covering a range of works including new windows, kitchens, door entry and heating system upgrades.







## **Management Commentary (cont'd)**

Our Capital Improvement Programme continues with the additional investment of £3m per year up to and including 2023/24 in our road network. This aspect of the Capital Plan has now been extended to 2028/29 as part of the 2023/24 approved budget and the annual investment has increased to £3.5m per annum. 38 carriageway and 12 footway resurfacing schemes were completed in 2023/24, with assessment and prioritisation of schemes being based on agreed criteria. Our programme of replacing our street lighting lanterns with LEDs continues with 95% completed, helping to reduce our carbon footprint by 35 tonnes. Overall, the Council's operational emissions reduced by 8% in 2022/23.

We continue to improve the active travel infrastructure across the council with improvements to the A77 Ayr Road South and the junction upgrade at Malletsheugh, which was delivered alongside road resurfacing works. Utilising funding from Transport Scotland and SPT, £600,000 of targeted infrastructure and road safety improvements were carried out to improve road crossing provision, footway widening and junction upgrades. During 2023/24 the Local Transport Strategy 'Main Issues' consultation was completed. This will set the context for a new transportation plan for the area. We played a supporting role to the Climate Clyde Forest (the regional initiative to increase tree canopy cover). The £2.7m Levern Restoration project has restored a large area of derelict land in Barrhead town centre by relocating the river to create waterfront openspace, safe routes to school and increased flood capacity to mitigate climate change.

### **Strategic Outcome 4 - East Renfrewshire residents are safe and live in supportive communities**

#### **Outcome 4 - Indicator status summary**

Status	Definition	Number	Off Target Indicators
	On target	5	
	Target to be achieved	0	
	Off target	2	<ul style="list-style-type: none"> <li>• Did your Community Payback Order help you look at how to stop offending?</li> <li>• % of Service users moving from drug treatment to recovery service</li> </ul>
	For monitoring purposes)	0	

Within the Community Justice Service, the measure on impact of Community Payback on reoffending was off target (83%, target 100%). The results are based on voluntary completion of surveys and are a small percentage of the total orders concluded. Five out of six survey respondents confirmed their belief that completion of the order effected a positive change in their behaviour.

Alcohol and drug treatment support is often responding to very complex issues, and journeys are person-centred. Those in our community who are experiencing harm from alcohol and drug use, 4% moved from treatment to recovery. This is off target (7%) and a slight reduction from 5% in the previous year. However, we continue to perform ahead of target for access to support, with 93% of people accessing recovery-focused treatment within three weeks. During 2023/24 we delivered 568 'alcohol brief interventions' in community settings such as libraries, health centres and leisure centres.

East Renfrewshire remains one of the safest places to live in mainland Scotland and we work with our partners to maintain communities' safety. Data on noise complaints dealt with by community wardens showed a reduction from 9.7% to 8.9% on the proportion of repeat calls from customers who had reported anti-social issues. This is an improving trend down from 10.4% in 2021/22, as we





## Management Commentary (cont'd)





work to meet our challenging target of 8%. This year our targeted youth work programmes focussed on risk-taking behaviour, helping reduce anti-social behaviour in Barrhead. There was also an ongoing programme of street work in 4 areas engaging with 2,727 young people. This also includes weekend detached youth work services.

During 2023/24 there was a continued focus on building strong, resilient communities to respond to the challenges of increased cost-of-living. Budgeting events took place across our communities £170,000 was committed from the Covid Humanitarian fund to support communities in pandemic recovery. Across Eaglesham, Busby, Mearns Village, Thornliebank, Neilston and Barrhead £150,000 was awarded to 97 local projects voted by 2085 residents. An additional 604 residents voted to award 12 Food Growing initiatives.

Positive performance on the measures in outcome four, show that residents continue to be protected from harm and abuse. Women’s Aid East Renfrewshire reported of 100 reviews with the people they support, 93% reported improvements in safety and wellbeing outcomes. For the past six years, 100% of individuals identified as being at risk of harm have had a protection plan put in place.

### **Strategic Outcome 5 - Older people and people with long term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives**

**Outcome 5 - Indicator status summary**

Status	Definition	Number	Off Target Indicators
	On target	6	
	Target to be achieved	0	
	Off target	0	<b>None</b>
	For monitoring purposes	1	

Despite continuing demand pressures on HSCP services we remain committed to supporting older people and people with long-term conditions to live independently. During the year there was an increase in the number of people whose care needs have reduced following a period of reablement; 64%, up from 48% last year and ahead of target (60%). Performance for supporting older people and those with long-term conditions to live safely and independently in communities is positive. Latest data shows that 97% of individuals aged 65+ live in housing rather than a care home or hospital. We also see a high percentage of individuals reporting their ‘living where you/as you, want to live’ needs met at 91% (up from 89% last year and ahead of our 90% target). There has been a slight decrease in the percentage of people aged 65 or over with long term care needs receiving personal care at home although we continue to meet our target.





We aim to ensure that our unpaid carers are valued and their wellbeing needs are met. During the year there was an increase in the proportion of unpaid carers reporting that their quality of life for carers needs are being met at 85%, up from 80% and above target. HSCP colleagues are working closely with East Renfrewshire Carers’ Centre to identify and support all unpaid carers including those who are part of the local workforce. A new Carers’ Strategy for East Renfrewshire was launched during the year. The strategy sets out how we will meet the needs of carers and promotes the use of Self-Directed Support options to meet carers’ eligible needs particularly in relation to carers’ short breaks. The HSCP commission East Renfrewshire Carers’ Centre to be the main information and advice service for carers. The Carers’ Centre have a key role, leading many of the activities that will deliver the strategic priorities of the Carers’ Strategy. The strategy also promotes the use of the HSCP Talking Points network to provide support to carers embracing the principles of prevention and early intervention.



## **Management Commentary (cont'd)**

### **Organisation Outcomes – Customer, Efficiency, People**

#### **Organisation Outcome - Indicator status summary**

<b>Status</b>	<b>Definition</b>	<b>Number</b>	<b>Off Target Indicators</b>
	On target	3	
	Target to be achieved	0	
	Off target	0	None
	For monitoring purposes	2	

We have three organisational outcomes under the themes of Customer, Efficiency and People in the ODP. These focus on how we are delivering for our customers, supporting our staff and ensuring all our resources are managed efficiently. There has been a slight reduction in Council wide absence levels from 11.5 days to 11 days lost in 2023/24. There continues to be a focus in this area involving, employee support, management training and ongoing policy review.

Initial findings from our latest Citizens’ Panel survey show more respondents (65%) were satisfied with Council services, this is 2% up from the previous year and on target. Full results from the Citizens’ Panel will be available later in the year. For our customers, our EastRen platform, which offers a more customer focused and streamlined online experience, has now over 21,000 subscribed residents, a 21% increase from last year. Over 97% of birth and marriage appointments were made online, up from 93% last year.

In these challenging times when budgets are strained it is essential that all our assets are managed efficiently. We maintained our robust approach to financial planning and had effective monitoring in place. In 2023/24 we closely monitored the impact of major challenges including homelessness and increased demand for social care services, on our revenue budgets. Overall, despite these pressures we managed to return an in-year surplus on our budget position.

### **Public Performance Reporting**

For more information on how the Council is performing, including trend data, planned activities, targets, and benchmarking information visit: -[www.eastrenfrewshire.gov.uk/performance](http://www.eastrenfrewshire.gov.uk/performance)

### **Workforce Planning**

Our People vision is to have engaged employees who are motivated to deliver quality services for our customers. We aim to deliver this through:

- Engaged, empowered and resilient employees
- An ambitious skilled workforce who deliver customer satisfaction
- An organisation that promotes and values equality, diversity, inclusion and belonging
- Inspirational and effective leaders at all levels

This is documented in the Council’s People Strategy. Workforce planning is essential to ensure we have an ambitious, skilled workforce who deliver customer satisfaction. It is a core business process which aligns changing organisation needs with the people strategy.

The Council’s Workforce Plan is aligned with our budget planning. A single year budget has been set for 2024/25 and it is hoped to return to a multi-year process in future years. Planning over a longer period allows for better prediction of potential changes to workforce shape and size and allows time to plan appropriately for these changes to the workforce.



## **Management Commentary (cont'd)**

We are focused on developing our workforce, supporting our employees' health and wellbeing, valuing equality and the advancement of diversity, recruiting, retaining and developing employees with the correct skills and making the best use of technology and iterating the way we work to support our local residents.

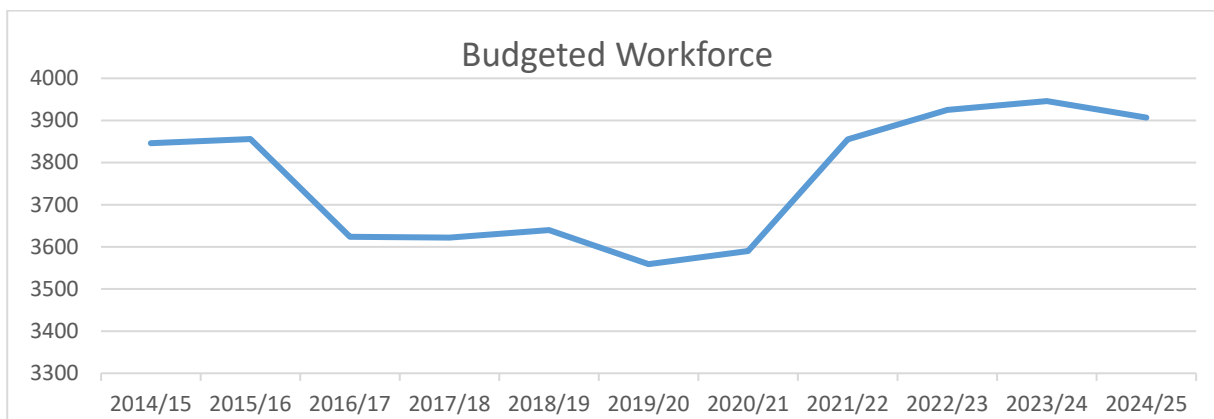
We continue to ensure that we have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. During these challenging financial times we continue to review our structures and operating models to introduce and establish more cross-functional and collaborative working to improve resilience. The Council is currently offering Voluntary Redundancy to employees in specified service areas to support the required budget reductions. It has been challenging getting the appropriate resource in place at times and services have been supported with higher than normal levels of recruitment activity. The Council is currently experiencing increased turnover rates making it difficult to recruit and retain candidates in certain areas.

The financial plan now set out for 2024/25 indicates a Council budget shortfall of £11.992m. After applying £5.777m of reserves and a £3.148m Scottish Government contribution to support a Council Tax freeze, savings of £3.067m are needed across Council services and it is estimated that there will be a reduction of up to 60 full time equivalent from the current Council structure. There are further savings to be taken by the IJB (Integration Joint Board) and Leisure Trust and decisions will be agreed through their governance routes if there is any impact on workforce. We have continued to manage reductions through natural turnover and voluntary early retirement and redundancies and a commitment has been made that this approach will continue for 2024/25.

The council has a workforce plan in place and the Workforce Plan is currently undergoing its annual review to reflect the current position, the workforce requirements to deliver the Council's outcomes and support employee development and training required.

Due to the Council's programme of efficiency reviews 44 employees took the option of voluntary redundancy or other packages in 2023/24 This resulted in an in year cost of £2.89m with an average payback period of under 1.5 years.

The chart below shows how the Council's budgeted workforce has changed in recent years\*:-



\*The decrease in staff between 2015/16 and 2016/17 is due to the transfer of staff to East Renfrewshire Culture & Leisure Trust which commenced on 2 July 2015 and the increase over the last two years reflects the rolling out of the Early Learning and Childcare 1140 hours initiative.

## **Consultation and Communication with Workforce**

East Renfrewshire Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council engages with employees via surveys and focus groups to seek views in addition to regular consultations with staff and trade unions.



## Management Commentary (cont'd)

Regular meetings are held with the Trade Unions and the Communications team posts updates on the Council's internal website along with the Chief Executive and Director bulletins.

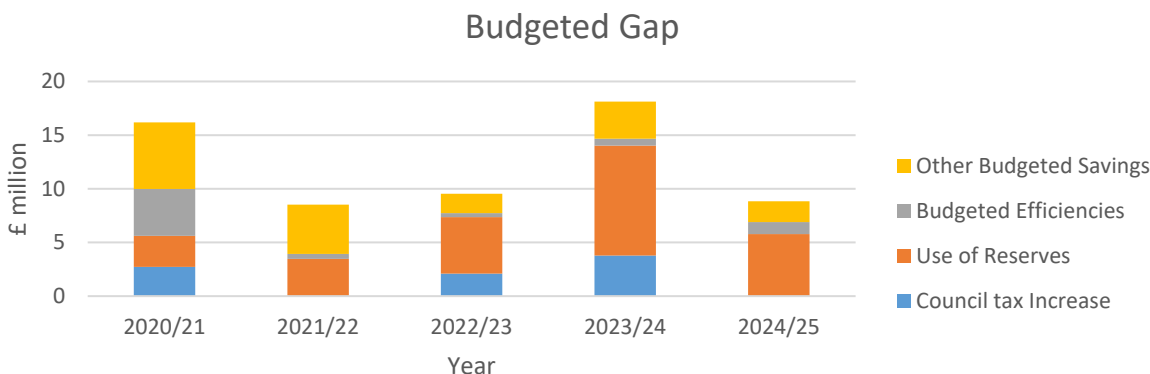
## 2. Financial Planning, Monitoring and Performance in 2023/24

### Budget Process

Following our successful previous multi-year budget approach, the Council undertook extensive community engagement, during autumn 2022, on setting its budget for future financial years. Reflecting on that engagement, together with the responses from our annual Citizens' Panel and the 2022 survey on the humanitarian impact of COVID, the budget for 2024/25 was set on 28 February 2024. It was decided not to agree an indicative budgets for 2025/26, however, due to the lack of detailed information from the UK and Scottish governments in relation to these years. We note that the new UK Government intends to publish multi-year financial plans in spring 2025 and expect that this will permit us to resume multi-year budget setting in future. In the meantime, we continue to monitor the demographic, political and economic position and to model high level budget scenarios for the next 5 years. We also provide forecasts of the next 3 years' figures, including impact of capital plans, grant assumptions, potential Council Tax increases, reserve levels, and savings gaps to the Budget Strategy Group. Annual reviews of the Council's fees and charges are conducted and a new budget working group, comprising senior staff from all departments, is also being established to explore new efficiency and savings options.

The Council has had to make significant budget savings for a number of years in order to ensure that it complies with its statutory requirement to set a balanced budget whilst meeting the needs of residents. A total of £25.16m budget savings has been approved for the most recent 5 year period covering 2020/21 to 2024/25. In addition, both Council Tax increases and the use of reserves have been used to balance the budget gap over this period. For 2023/24 the approved savings totalled £4.17m and the vast majority of these was achieved. The exception was the anticipated £440k of increased income from the introduction of garden waste uplift charges. Demand was much lower than forecast, resulting in a shortfall of £270k which had to be adjusted for in the 2024/25 budget plans. The total of savings achieved from 2020/21 to 2023/24 is therefore £21.83m. The budget gap for 2024/25 was £11.992m. Total savings agreed for 2024/25 were £3.067m and these are currently being monitored. The remainder of the 2024/25 budget gap was closed by £3.148m of Council Tax freeze grant from the Scottish Government, a draw of £5m from the Service Concession Flexibility Reserve and £0.777m from the Council's non-earmarked General Reserve.

Savings are classed as efficiencies when they do not relate to service reductions or increased income.



Capital plans have also been agreed for the General Fund and Housing, covering the period 2024/25 to 2033/34.



## **Management Commentary (cont'd)**

### **Budget Monitoring**

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members consider revenue monitoring reports and detailed variance information at Cabinet four times per year with all reports providing year-end forecasts. Financial and physical progress on each capital project is also reported to Cabinet four times per year. Copies of these reports are available on the Council's website: [www.eastrenfrewshire.gov.uk](http://www.eastrenfrewshire.gov.uk)

### **Revenue Budget Performance**

#### **General Fund Revenue Balance**

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be found on page 49 and has been prepared using International Financial Reporting Standards (IFRS). To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement on page 50.

An Expenditure and Funding Analysis reconciles adjustments between the Council's financial performance under the funding position and the deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The Expenditure and Funding Analysis can be found in Note 2 and the Expenditure and Income Analysed by Service in Note 5.

The overall balances on the General Fund reduced by £10.348m to £41.766m at the 31 March 2024. The aims and governance arrangements for the Council's reserves are set out in the [Council Reserves Policy](#) which was most recently updated on 28/02/2024 [https://www.eastrenfrewshire.gov.uk/media/10099/Council-Item-10-28-February-2024/pdf/Council Item 10 - 28 February 2024.pdf?m=1713447850013](https://www.eastrenfrewshire.gov.uk/media/10099/Council-Item-10-28-February-2024/pdf/Council%20Item%2010%20-%2028%20February%202024.pdf?m=1713447850013)

The General Fund is split over a number of earmarked funds which are adjusted annually to take account of the following factors:-

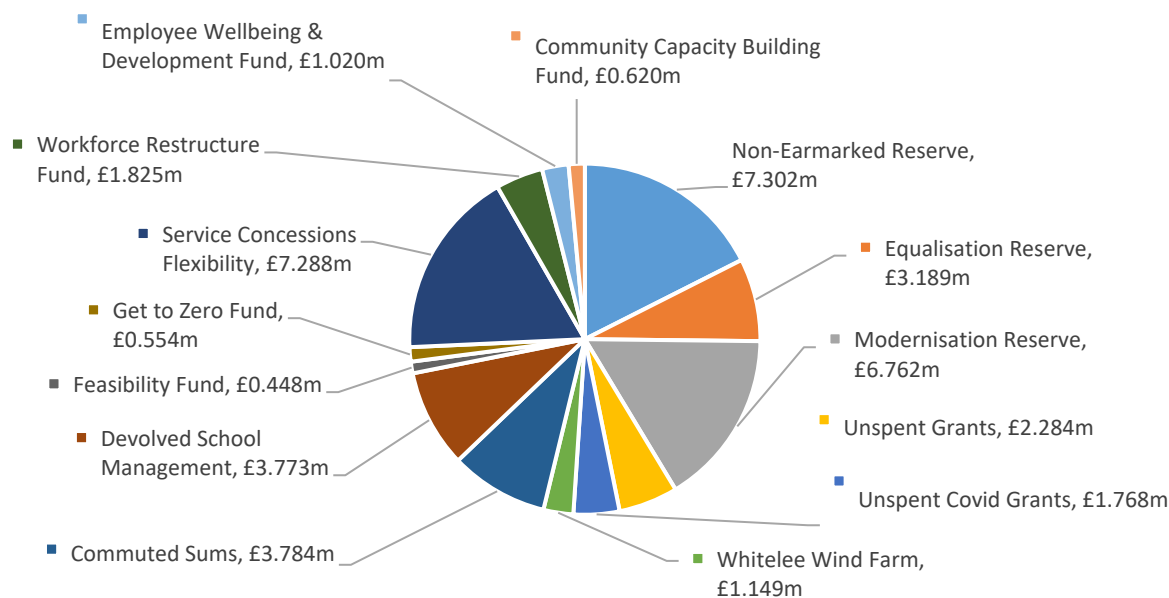
- (i) **Non-earmarked Reserve:** To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim where possible is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure and to hold a minimum level of around 2%. The actual balance for 2023/24 was 2.3% (2022/23 2.3%)
- (ii) **Equalisation Reserve:** To earmark funding to equalise future PFI/PPP payments, as future grant levels will be below payment commitments in the later years of the schemes.
- (iii) **Modernisation Fund:** To earmark funding to enable the upfront investment required to drive forward the Council's Digital Transformation Programme.
- (iv) To earmark funding from **Unspent Grants, Whitelee Windfarm, Commuted Sums and Devolved School Management,**
- (v) **Feasibility Fund:** To earmark funds for feasibility studies to be carried out on potential capital projects.
- (vi) **Get to Zero:** To enable transformation work to commence on the Council's Get to Zero programme towards its carbon reduction targets
- (vii) **Service Concessions Flexibility:** To earmark funds from writing off the debt in service concession projects over the life of the asset instead of the life of the contract
- (viii) **Workforce Restructuring Fund:** To ensure that the Council can adjust its staffing structures to enable future budgets to balance.



## Management Commentary (cont'd)

- (ix) **Employee Wellbeing & Development Fund:** To invest in employee wellbeing and development, to help address issues arising from staff wellbeing surveys; to develop skills and learning opportunities for existing staff.
- (x) **Community Capacity Building Fund:** To ensure long term investment in our local communities, to build capacity; skills; support place-making and build on the positive assets of our local people.

The pie chart below shows the total amounts held within these funds, further information can be found in Note 11.



### Budget Performance

	Approved Budget £'000	Actual £'000	Over/(Under) Spend £'000
Net Cost of Services	280,455	279,916	(539)
Contribution (to) Earmarked Reserve (note 11)	-	(15,021)	(15,021)
Contribution from Earmarked Reserves (per note 11)	10,228	26,013	15,785
	4,911	4,897	(14)
Capital Financing Costs			
To be met by Govt. grants and local taxation	295,594	295,805	211
Aggregate External Finance	(222,652)	(222,633)	19
Council Tax	(62,714)	(62,824)	(110)
Total Funding	(285,366)	(285,457)	(91)
<b>(SURPLUS)/ DEFICIT FOR THE YEAR</b>	<b>10,228</b>	<b>10,348</b>	<b>120</b>

During 2023/24 the overall balances on the Council's General Fund reduced by £10.348m (2022/23 £5.925m increase). This is comparable with the budgeted position of a reduction of £10.228m in year as analysed above, and represents a difference of only £0.12m from the planned year end position on the overall General Fund.





## Management Commentary (cont'd)

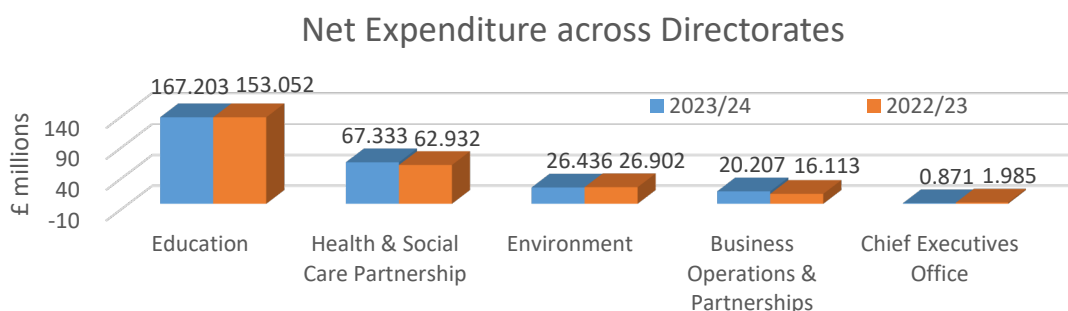
Council services produced a £6.9m in-year under-spend, much of which was of a one-off nature. This was due to increased income, including interest earned on temporary investment balances £2.5m, as well as £2.7m recovery from HMRC relating to a successful VAT appeal dating back to 2006, underspends on staff vacancies £0.8m, Utilities £1.4m and the Catering Service £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 as well as a contribution made to HSCP £0.9m to assist them with the increasing demand for social care services.

This permitted the transfer of £1.0m to the Repairs & Renewals Fund and £1.0m to the Capital Reserve, both of which are accounted for out with the General Fund. A further £4.2m was transferred to earmarked reserves within the General Fund, with the balance of £0.7m retained in the Council's unallocated General Fund reserve.

Before accounting for the allocation of the above £4.2m there had been a net overall unbudgeted reduction of £5.0m in these General Fund earmarked reserves, with the largest factor in this reduction being the continued utilisation of the Covid-19 reserve, £6.8m.

This net movement of £0.8m on the General Fund earmarked reserves is largely offset by the £0.7m increase in the unallocated General Fund reserve explaining the £0.120m in the above table.

When the reduction of £10,348k, shown above, before the budgeted application of reserves, is considered with the Housing Revenue Account deficit of £146k (see Movement in Reserves Statement), it equates to the total surplus of £10,494k, as stated in the Expenditure and Funding Analysis (Note 2). The graph below shows the net expenditure across Directorates, also as shown in Note 2.



## Housing Revenue

The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balances are shown on page 114. These accounts deal with transactions in respect of managing the Council's housing stock, which cannot be subsidised by the Council. The opening balance of £1,798k has been decreased by an operational deficit of £146k to give a year-end balance of £1,652k.

## Capital Budget Performance

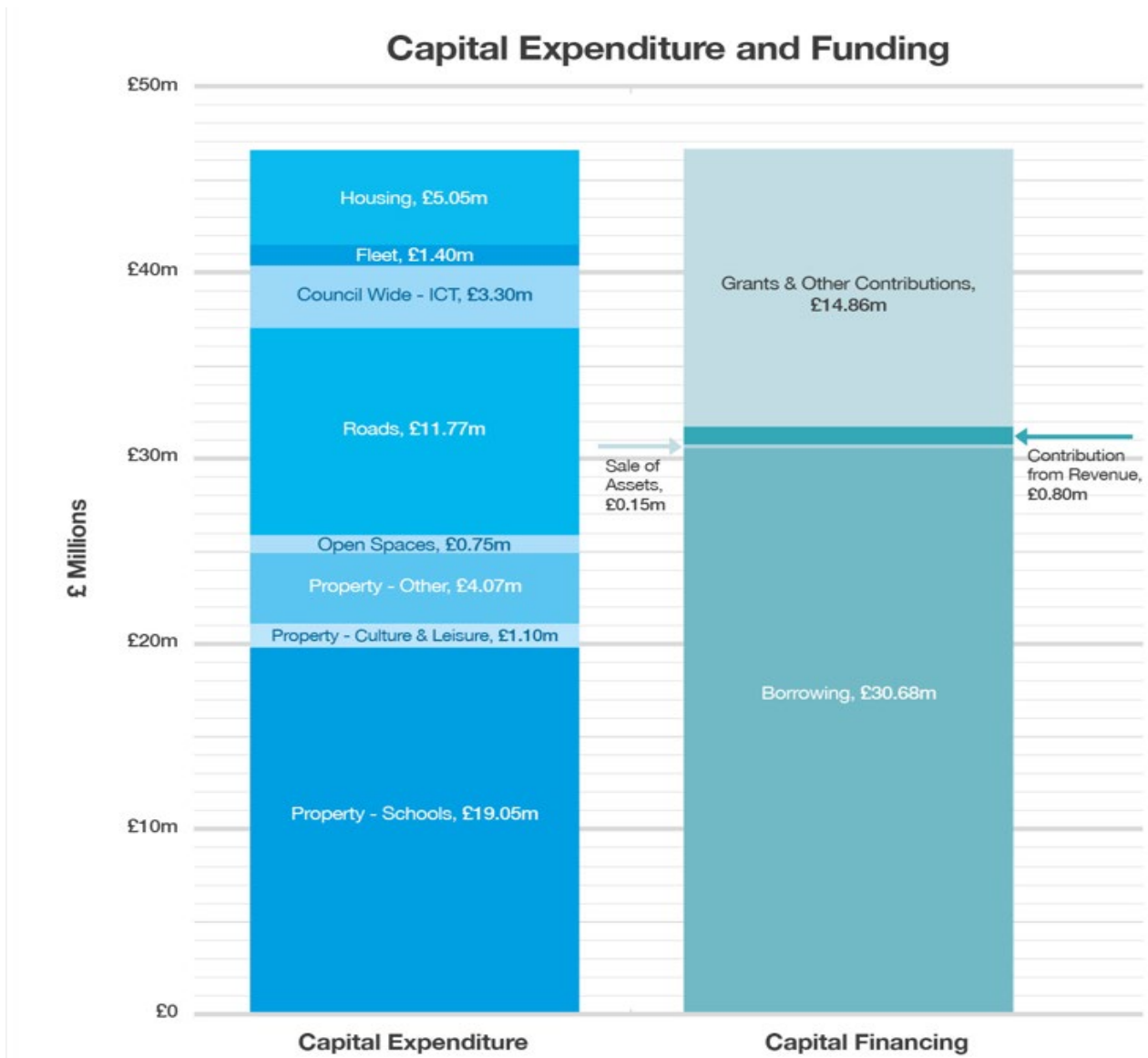
The impact of the Middle East conflict and war in Ukraine interrupted progress on the Council's capital schemes in 2023/24, due to the increases in crude oil prices increasing the cost of construction and supply chain problems causing material shortages and driving up costs, however the final Council budgets (as approved on 7 March 2024) for capital investment in both the General Fund and the Housing Revenue Account totalled £50.801m, with 91.5% of this being delivered. It should be noted that as these capital programmes are part of a longer term plan, it is expected that there will be movement in spend across the years and that projects not delivered in year will be completed in





## Management Commentary (cont'd)

forthcoming financial years. The diagram below identifies the key areas of spend in 2023/24 and how these were funded. Further details are provided in Notes 15 to 19.



## Balance Sheet

The Balance Sheet summarises the Council’s assets and liabilities as at 31 March 2024 and explanatory notes are provided. The Council’s net assets have decreased by £124,367k from £867,905 as at 31 March 2023 to £743,538 as at 31 March 2024. The major movements are set out below:

	31 March 2024 £000	31 March 2023 £000	Movement £000	Main Reason
<b>Long Term Assets</b>	957,521	1,067,180	(109,659)	The decrease is mainly due to a reduction in the Pension asset on the Balance sheet reflecting the requirements of IFRIC 14, further details on which are given in Note 40.  In-year valuations on the Council’s assets also impacted on the overall reduction
<b>Current Assets</b>	60,937	93,038	(32,101)	The total of cash equivalents and short term investments have decreased due to both capital & revenue cash flows.

**Management Commentary (cont'd)**

<b>Current Liabilities</b>	(56,021)	(70,799)	14,778	Due mainly to the movement in short term creditors ( see note 24)
<b>Long Term liabilities</b>	(218,899)	(221,514)	2,615	Due mainly to the decrease in the PPP finance lease, in-line with the financial model.
<b>Usable Reserves (excluding those related to Covid-19 )</b>	(67,021)	(55,909)	(11,112)	This reflects a decrease in unspent grants during the year (see note 11 for details) as well as a planned spend from the Service Concessions Flexibility fund. Offset by savings made by Council services which have been transferred to earmarked reserves and capital income received in 2023/24 that was saved in the Capital Reserve to help manage the ambitious capital programme in future years
<b>Usable Reserves – Covid-19 only</b>	(1,768)	(8,562)	6,794	This reflects the unspent covid-19 grants which forms part of the General Fund Reserve. The decrease is due to the spend on the reserve during 2023/24, leaving a balance for planned spend in 2024/25
<b>Unusable Reserves</b>	(674,749)	(803,434)	128,685	Reflecting the decrease in the Pension Reserve asset and an in-year revaluation of assets (See Note 26)

**Pension Liability**

The common position for employers participating in the Strathclyde Pension Fund is that the IAS19 calculation, based on a snapshot valuation as at 31 March 2024, discloses an asset, in line with that reported in the previous year. However reserve balances can fluctuate significantly year on year and the table below shows the Council's pension asset/ (liability) over the last three years:-

	2023/24 £000	2022/23 £000	2021/22 £000
<b>Pension Asset / (Liability)</b>	(16,886)	114,498	(50,357)

The net asset arising from the Council's involvement in the defined benefit scheme totals 178,626k at 31 March 2024 (£160,463k: 2022/23). The main movement this year can be attributed to strong investment returns (9.9% was achieved compared to an expected accounting return of 4.75%), a decrease in the CPI inflation assumption which serves to decrease the value of the obligations, changes to the demographic assumptions and the improved outlook for corporate bond yields resulting in a higher discount rate. This was offset by a significantly higher increase in Pensions from that built into the obligations at the start of the period along with the funding valuation remeasurement at 31 March 2023.

However this improved position has been limited to £nil in line with the accounting requirement of IFRIC 14: to limit the recognition of a pension asset to the extent to which the Council can recover the benefits through either refunds or reduced contribution. As the Council is not able to withdraw from the scheme or recover funds directly, the asset is therefore limited to the forecast reductions in contributions as compared to the forecast future service costs. The unfunded obligations of £16,886k are shown separately on the balance sheet in line with IFRS requirements.

The appointed actuaries, who provide the above analysis, remain of the view that the asset holdings of Strathclyde Pension Scheme and the contributions from employees and employers provide sufficient security and future income to meet future pension liabilities.

Further detail on pension estimates is included in Note 40.



## **Management Commentary (cont'd)**

### **Treasury Management**

The Council's net borrowing increased by £25.899m during the year. This reflects the internal funding of the capital programme and the repayment of borrowing and lease finance as shown in the Balance Sheet as follows:-

	31 March 2024 £000	31 March 2023 £000	Movement £000
Long Term Investments	243	247	(4)
Short term Investments	-	4,999	(4,999)
Cash & Cash Equivalents & Bank Overdraft	35,640	62,281	(26,641)
Short Term Borrowing	(16)	(377)	361
Short Term Finance Lease	(5,567)	(5,368)	(199)
Long Term Borrowing	(127,623)	(127,639)	16
Long term Finance Lease	(62,565)	(68,132)	5,567

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 42. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external debt (including Finance leases) at the year-end was £195.02 million (excluding effective interest), made available to the Council from various sources, the most significant of which was from the Public Works Loans Board. This compares with the CFR of £256.272 million (see Note 34) and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds and to minimise the exposure to investment risk. The Council's Treasury Management Strategy Report for 2023/24 can be found:

[Treasury Management Strategy Report 2023/24](https://www.eastrenfrewshire.gov.uk/media/8795/Council-Item-06-iii-1-March-2023/pdf/Council_Item_06iii_-_1_March_2023.pdf?m=1677174857227)

[https://www.eastrenfrewshire.gov.uk/media/8795/Council-Item-06-iii-1-March-2023/pdf/Council\\_Item\\_06iii\\_-\\_1\\_March\\_2023.pdf?m=1677174857227](https://www.eastrenfrewshire.gov.uk/media/8795/Council-Item-06-iii-1-March-2023/pdf/Council_Item_06iii_-_1_March_2023.pdf?m=1677174857227)

### **Provision and Write-offs**

The Council has provided £1.887 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council and the reasons for the provisions made are outlined in Note 25.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £356.8k for Council Tax, £129.67k for Non-Domestic Rates and £224.5k of other debts which were approved by Cabinet.

### **Key Financial Ratios**

The following table provides information regarding the financial performance of the Council in 2023/24 and the affordability of its ongoing commitments:-



## Management Commentary (cont'd)

Financial Indicator	Commentary	2023/24 Actual	2022/23 Actual
<b>Reserves</b>			
Uncommitted General Fund Reserve as a proportion of Annual budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Reserves Policy is to aim where possible for 4% of the current year's budgeted net expenditure. More information is provided in the <i>General Fund Revenue Balances</i> section above	2.3%	2.3%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve	9.7%	(43.4%)
Total useable Reserves as a percentage of Council Annual Budgeted Net Expenditure	This indicator reflects all useable reserves including those earmarked (e.g. Unspent covid-19 grants to cover unfunded covid-19 pressures in 2024/25), as a percentage of the Council's net budgeted expenditure. Details of the useable reserves can be found in note 11	21.9%	22.3%
<b>Council Tax</b>			
In-Year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.	97.55%	97.55%
Ratio of Council Tax income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control.	22.0%	21.7%
<b>Financial Management</b>			
Actual Outturn as a percentage of Budgeted Expenditure (net of the Covid-19 reserve)	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of the budget monitoring as reported throughout the year. More details are provided in the <i>Revenue Budget Performance</i> section above.	97.14%	93.7%
Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget.		(0.21%)	1.83%
<b>Treasury Management</b>			
Financing Charges on the Council Tax	The amount the Council has paid, including principal, interest and expenses to meet the cost of capital investment and the interest rate applied.  In 2023/24 the Scottish Government gave the Council £3.555m (£2.238m 2022/23) to help fund the Revenue budget. This was provided as a capital grant and was used, in line with the Code of Practice, to reduce the Financing Charges on the Council Tax which in turn released budget to fund the pay award. This explains the year-on-year reduction in Financing Charges.	£4.897m	£6.728m
Financing Charges on the Housing Rents		£5.132m	£4.414m
Average Loans Fund Interest Rate		3.89%	3.34%
Ratio of Financing Costs to Net Revenue Stream – General Fund	Demonstrates how much of the General Fund Revenue budget is committed to support borrowing. The Council's cost of borrowing is affordable and fits with the Council's medium to long term financial strategy. For ease of comparison this excludes the Scottish Government grant of £3.555m capital grant above.	6.6%	7.2%



## Management Commentary (cont'd)

Ratio of Financing Costs to Net Revenue Stream – Housing Revenue Account	Demonstrates how much of the Housing Revenue budget is committed to support borrowing	33.8%	31.5%
<b>Debt/Long-term Borrowing</b>		<b>2023/24 Estimate</b>	<b>2023/24 Actual</b>
Capital Financing Requirement (CFR) for the current year	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only.	£304.873m	£256.272m
External Debt Levels for the current year		£253.770m	£195.020m
			£235.686m
			£200.754m

## Review

The Council's affairs have again been managed within its overall operational budget (see budget performance section above) with increased returns on investments, an historical HMRC VAT appeal and Directors again taking action to avoid non-essential spend during 2023/24, particularly on staff vacancies and supplies. These give the Council more flexibility to address the significant financial difficulties and uncertainties in coming years.

Additional Covid-19 cost pressures of £6.8m encountered during the year were covered by the use of the Unspent Covid-19 Grants Reserve carried forward from 2020/21. These pressures impacted directly on Council funded services in terms of additional costs including staff costs, loss of income and other measures to address recovery from the pandemic. In addition these funds also allowed for organisational recovery support to be provided to our Third Sector providers and wellbeing support for vulnerable individuals including direct financial support to residents. A total of £1.768m remains in the Council's Covid-19 reserve at 31 March 2024 and is available to address further planned recovery measures in 2024/25.

During the year major investment in Education continued with the first-ever nursery class at St. John's primary school and a family centre being created at the Calderwood Lodge and St Clare's joint campus. For children who require some additional support, new classrooms opened at Carolside primary and Isobel Mair School.

In addition, the Council has opened excellent new facilities for staff and pupils at Neilston and St Thomas's primaries and the Madras family centre which was the single biggest education project in seven years.

Work by the Health and Social Care Partnership has also progressed with inspectors praising the work of staff in our adult support and protection services who have helped keep residents at risk of harm safe.

Work also began on a City Deal project to create an impressive waterfront promenade alongside Balgray Reservoir which will make it safer and easier to visit the Dams to Darnley Country Park. Further City Deal projects, jointly funded by the UK Government, the Scottish Government and the Council, also progressed as part of a major £44m regeneration programme across the Council as part of our ten year capital investment plan.

In Maidenhill ongoing work on building more council houses as a result of an agreement with a private developer will allow more council houses to be handed over to tenants in the current and forthcoming year.

Improvement has also continued with the neighbourhoods across East Renfrewshire continuing to benefit from the £15m extra capital investment first announced in 2019 to fund a five-year programme of road resurfacing. This has now been extended by £17.5m to continue with roads improvements until 2028/29.



## Management Commentary (cont'd)

### 3. Key Risks and Financial Outcomes

The Council maintains a Strategic Risk Register, reviewed weekly by the Corporate Management Team (CMT) and reported twice yearly to the Audit and Scrutiny Committee. The report presented on 28 March 2024 can be found here: [Review of the Strategy Risk Register and Risk Management Process https://www.eastrenfrewshire.gov.uk/media/10199/Audit-Scrutiny-Item-05-28-March-2024/pdf/Audit\\_Scrutiny\\_Item\\_05\\_-\\_28\\_March\\_2024.pdf?m=1711030063120](https://www.eastrenfrewshire.gov.uk/media/10199/Audit-Scrutiny-Item-05-28-March-2024/pdf/Audit_Scrutiny_Item_05_-_28_March_2024.pdf?m=1711030063120)

The Council monitors risks closely using a RAG approach, seeking to mitigate them so as to deliver its strategic aims. Risks are given a score from 1 to 4 for both likelihood and impact, with the product for each risk therefore ranging from 1 to 16. Risks scored below 6 are regarded as green, those between 6 and 9 as amber and those scoring higher as red. Risk registers are also maintained at departmental level and for major projects. Risks with a score of less than 6 are reported only on departmental or project risk registers.

In common with all other organisations, we are affected by the current challenging conditions. Key risks for the Council are listed in the table below, all of these representing risks originally categorised as red, but which have been reduced to amber by our mitigating actions. Demographic pressures, financial constraints, interruptions to services, and the impact of the Covid-19 pandemic continue to present risks to the Council's operations, whilst the risk of cyber-attack has been raised from "medium" to "high". New risks in relation to the sufficiency of local housing supply and the potential disruption to electricity and telephone networks have also been added to the register.

KEY RISKS AND UNCERTAINTIES	
Risk	Mitigating Actions
<b>Demographic pressures (risk scores 9-6; previously 12-9)</b> , particularly in relation to school pupils, people with Additional Support Needs and the elderly, cannot be accommodated within the Council's available financial and property resources.	The Council updates its demographic forecasts annually and these are used to inform both revenue and capital plans. Services are reviewed and redesigned with a view to increasing efficiency, and joint working across departments (e.g. Education, HSCP, Housing, Property and Planning) ensures focus on the most strategic issues. Eligibility and resource allocation are also reviewed.
<b>Financial constraints (risk score 9; previously 12)</b> restrict the Council's ability to provide the required range and quality of services, due to settlements not providing full funding for inflation and new burdens while increasing ring-fencing of grants and limiting local flexibility. Forecasts of grant for the coming years indicate continuing reductions. Issues relating to the cost of living, climate change/Get to Zero and the wars in Ukraine and the middle east may exacerbate financial pressures.	Medium to long term financial plans, budget scenario planning, a return in future years to a multi-year budget setting approach, utilisation of fiscal flexibilities and close revenue and capital budget monitoring all assist in mitigating this risk. <a href="https://www.eastrenfrewshire.gov.uk/media/10100/Council-Item-11-28-February-2024/pdf/Council_Item_11_-_28_February_2024.pdf?m=1708689607127">Financial Planning 2024-2030 <u>https://www.eastrenfrewshire.gov.uk/media/10100/Council-Item-11-28-February-2024/pdf/Council_Item_11_-_28_February_2024.pdf?m=1708689607127</u></a> A focus on efficiencies, service reviews, the Council's ambitious transformation programme and lobbying of Government are also used to reduce the threat.
<b>Interruptions to Services (risk score 9; previously 12)</b> arising from building closures or systems/equipment/ supplier failures may result in loss of services, income and reputation.	Long term capital planning is in place and the Capital Investment Strategy and Capital Plan reviewed annually. IJB review of commissioning and service planning. Business continuity plans are also maintained.





## Management Commentary (cont'd)

<b>Lack of affordable housing (risk score 12; previously 12)</b> may prevent the Council from meeting its statutory homelessness duties and providing sufficient units for wider local housing needs	Housing plans and homelessness policies reviewed. Partnership working to assist in addressing homelessness. Ongoing investment in both new build and purchased housing units. Exploring options to support purchase of more accommodation.
<b>Cyber Attacks (risk score 9; previously 12)</b> are an increasing threat to both the private and public sectors and could disrupt Council services and cause loss of data, money and reputation.	Council Information Security Officer ensures defences are up to date through liaison with national bodies and the annual provision of mandatory staff training, test and campaigns.

The Council's financial and outcome delivery plans are being updated to take account of the above risks and revised budgets, savings proposals and service plans will be agreed as the Council is approaching these difficulties as a part of a longer term financial strategy. This is set out in the [Financial Planning paper](https://www.eastrenfrewshire.gov.uk/media/10100/Council-Item-11-28-February-2024/pdf/Council_Item_11_-_28_February_2024.pdf?m=1708689607127) approved by the Council on 28 February 2024 as part of the annual budget: [https://www.eastrenfrewshire.gov.uk/media/10100/Council-Item-11-28-February-2024/pdf/Council\\_Item\\_11\\_-\\_28\\_February\\_2024.pdf?m=1708689607127](https://www.eastrenfrewshire.gov.uk/media/10100/Council-Item-11-28-February-2024/pdf/Council_Item_11_-_28_February_2024.pdf?m=1708689607127)

This strategy is characterised through factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets wherever possible; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserves and considered some utilisation of these into its plans to address future financial difficulties in addition to considering the use of available fiscal flexibilities. Whilst the Council's strategy sets out its approach to future budget planning that aligns with our medium to long term forecasts, it is hoped that the position can be strengthened in the years ahead by the introduction of fiscal framework agreements between UK & Scottish Governments and Councils and by the publication by governments of multi-year settlement figures.

In completing the Annual Accounts the Council has made certain judgements about complex transactions and those involving uncertainty about future events. The Balance Sheet also contains estimates that are based on assumptions made about the Council regarding the future or that are otherwise uncertain. Where these judgements or estimates could potentially impact materially on the Annual Accounts they are listed in notes 6 and 7, however professional findings have been taken into account in order to maximise the accuracy of these estimates.

### Risk Appetite

The term risk appetite describes our attitude towards the amount of risk that the Council is prepared to accept in trying to achieve our outcomes. The attitude towards risk can differ across our services, from risk averse to risk taking. Risk appetite is about taking well thought through risks where the long-term rewards are expected to be greater than any short-term losses.

Our approach is to minimise exposure to reputational, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and improved outcomes. It recognises that appetite for risk varies according to the activity undertaken, that acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

The following diagram illustrates the Council's risk tolerance levels across different areas of activity:





## **Management Commentary (cont'd)**

	Unacceptable to take risk							Higher willingness to take risks		
	1	2	3	4	5	6	7	8	9	10
Reputation										
Compliance										
Financial										
People and Culture										
Operational Services										
Major Change Activities										
Environmental and Social Responsibility										

The key risks set out in the previous section fall within the operational services area of the above table, i.e. the Council has a low to medium appetite for such risks and has identified appropriate mitigations to reduce the risk to a tolerable level. For areas with the very lowest appetite for risk, such as compliance with legal or financial requirements (e.g. setting a balanced budget), the Council's structures, policies and processes have generally already been designed so that the risk is minimal and therefore it will not appear on the Strategic Risk Register.

The Annual Governance Statement, included in this Annual Report document, details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvement actions to the governance framework identified from the Council's ongoing review of these arrangements.

### **4. Supplementary Information**

#### **Private Finance Initiative/Public Private Partnership & Similar Contracts**

The Council has two Private Finance Initiative contracts. The first, signed on 20 April 2000, is for the provision of school facilities for 25 years ending July 2026 and the second, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for the 30 years ending April 2035. On 10 December 2004 the Council also signed a Public Private Partnership contract for the provision of further new and extended school facilities for the 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract, ending August 2042, for the construction and maintenance of a replacement Barrhead High School delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. More recently, in January 2020 the Council entered into a 25 year contract for waste recycling which utilises residual waste to obtain thermal gain. Details of all 5 projects are provided in Note 36 to the core financial statements. As we approach the end of the first PFI schools contract period we are making preparations for the transition of these services back to Council operations.

#### **Group Accounts**

The Council is represented on the Boards of the following companies that are limited by guarantee, have no share capital and have prepared their accounts on a going concern basis. It participates in these companies by means of Board membership and the provision of funding. The Council has not paid any consideration for its interests and thus there is no goodwill involved.

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common



## **Management Commentary (cont'd)**

Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet increases the Council's net worth by £44.71m. Details of these interests are listed within the notes to the Group Accounts.

Strathclyde Partnership for Transport  
Strathclyde Concessionary Travel Scheme  
Renfrewshire Valuation Joint Board  
East Renfrewshire Culture & Leisure Trust  
East Renfrewshire Integration Joint Board

### **Get to Zero**

In November 2022, the Council set a target to achieve net zero carbon emissions by 2045. This target applies to the Council's own operational emissions, excluding emissions from supply-chain (e.g. the goods and services the Council buys). There is no target set for area-wide emissions (i.e. those from homes and businesses). The Council reports its emissions to Sustainable Scotland Network each year and a report on the latest trends and future forecast is made to Cabinet, typically in January each year. The [latest report](https://eastrenfrewshire.gov.uk/article/5071/Carbon-emissions-report) is available here <https://eastrenfrewshire.gov.uk/article/5071/Carbon-emissions-report>. The Cabinet reports are published for the wider community to see progress.

Cabinet approved the Council's [Get to Zero Action Plan](https://www.eastrenfrewshire.gov.uk/media/10024/Cabinet-Item-05-22-February-2024/pdf/Cabinet%20Item%2005%20-%2022%20February%202024.pdf?m=1707409902403) (GTZAP) on 22 February 2024 [https://www.eastrenfrewshire.gov.uk/media/10024/Cabinet-Item-05-22-February-2024/pdf/Cabinet Item 05 - 22 February 2024 2024.pdf?m=1707409902403](https://www.eastrenfrewshire.gov.uk/media/10024/Cabinet-Item-05-22-February-2024/pdf/Cabinet%20Item%2005%20-%2022%20February%202024.pdf?m=1707409902403) which sets actions required to be taken over the next 21 years to progress towards the national net zero statutory target in 2045. It also covers what may be required to adapt Council and Community infrastructure, land and assets to the changing climate. The Get to Zero Action Plan, makes some high-level assessment of the financial impact of taking climate action. This will be considered in future revenue and capital budget setting processes. In support of the publication of the Get to Zero Action Plan a Strategic Environmental Assessment has been carried out.

The Council introduced a new methodology for carbon reporting in 2019/20, which has been set as the baseline year against which progress will be tracked. The table below shows progress in each year since establishing the baseline



## Management Commentary (cont'd)

East Renfrewshire Council emissions 2022/23							
Scope	Sub-category	Source	Baseline (2019/20) emissions (tCO2e)	Previous year (2021/22) emissions (tCO2e)	Current year (2022/23) emissions (tCO2e)	% change in emissions baseline to current year	% change in emissions previous year to current year
Scope 1	Natural gas	Council buildings	6,110	5,962	5,193	▼ -15.0%	▼ -12.9%
		Buildings operated by ERCLT	1,584	1,939	1,801	▲ 13.8%	▼ -7.1%
		Sheltered housing	506	488	454	▼ -10.3%	▼ -7.0%
		Domestic properties (offices)	4	5	5	▲ 26.0%	▼ -4.7%
		<b>Sub-total</b>	<b>8,204</b>	<b>8,393</b>	<b>7,453</b>	<b>▼ -9.1%</b>	<b>▼ -11.2%</b>
	Fleet	Fleet Vehicles - Diesel	630	597	717	▲ 13.8%	▲ 20.0%
		Fleet Vehicles - Red Diesel	191	115	0	n/a	n/a
		<b>Sub-total</b>	<b>821</b>	<b>712</b>	<b>717</b>	<b>▼ -12.7%</b>	<b>▲ 0.6%</b>
Scope 2	Electricity	Council buildings	2,964	2,726	2,382	▼ -19.6%	▼ -12.6%
		Un-metered supplies	1,243	1,049	837	▼ -32.7%	▼ -20.2%
		Buildings operated by ERCLT	573	470	451	▼ -21.3%	▼ -4.1%
		Sheltered housing	105	61	55	▼ -48.0%	▼ -10.3%
		EVCPs	36	77	123	▲ 241.9%	▲ 59.6%
		Domestic properties (close lighting & offices)	28	27	24	▼ -12.2%	▼ -9.4%
		<b>Sub-total</b>	<b>4,949</b>	<b>4,410</b>	<b>3,872</b>	<b>▼ -21.8%</b>	<b>▼ -12.2%</b>
Scope 3	Waste	Landfill	6,119	215	210	▼ -96.6%	▼ -2.6%
		Aggregate to Landfill	1	1	3	▲ 377.8%	▲ 430.2%
		Recycling	353	237	256	▼ -27.6%	▲ 8.0%
		Composting	129	101	89	▼ -30.5%	▼ -11.2%
		Incineration/combustion	16	341	308	▲ 1830.6%	▼ -9.7%
		Other	155	0	291	▲ 87.2%	n/a
		<b>Sub-total</b>	<b>6,773</b>	<b>894</b>	<b>1,157</b>	<b>▼ -82.9%</b>	<b>▲ 29.3%</b>
	Water	Council buildings	123	41	39	▼ -68.4%	▼ -6.2%
		Buildings operated by ERCLT	29	7	7	▼ -75.0%	▼ -2.2%
		Domestic properties (offices)	0	0	0	▼ -60.4%	▲ 19.7%
		<b>Sub-total</b>	<b>152</b>	<b>49</b>	<b>46</b>	<b>▼ -69.6%</b>	<b>▼ -5.6%</b>
	Other	Business travel (car)	154	127	166	▲ 7.8%	▲ 30.6%
		Business Travel (Rail)	2	1	1	▼ -30.7%	▲ 55.0%
		Business Travel (Domestic Flight)	9	4	4	▼ -56.1%	▲ 9.2%
		Business Travel (Short-haul flights)	1	15	6	▲ 383.4%	▼ -58.8%
		<b>Sub-total</b>	<b>166</b>	<b>147</b>	<b>178</b>	<b>▲ 6.8%</b>	<b>▲ 21.0%</b>
	Procurement	Supply chain emissions	40,278	40,278	40,278	▲ 0.0%	▲ 0.0%
		<b>Sub-total</b>	<b>40,278</b>	<b>40,278</b>	<b>40,278</b>	<b>▲ 0.0%</b>	<b>▲ 0.0%</b>
	<b>Total (tCO2e)</b>			<b>61,343</b>	<b>54,884</b>	<b>53,701</b>	<b>▼ -12.5%</b>
<b>Total w/o supply chain emissions (tCO2e)</b>			<b>21,065</b>	<b>14,606</b>	<b>13,423</b>	<b>▼ -36.3%</b>	<b>▼ -8.1%</b>

Due to a change in methodology for waste and fleet fuel calculations as well as additional mileage data sets being added to the reporting scope it is noted that the 2021/22 emissions are not consistent with the prior year accounts and this is consistent with the national guidance and is explained in the



## **Management Commentary (cont'd)**

statutory climate change [report](https://sustainable-scotland-network.org/reports/east-renfrewshire-council) submitted to Sustainable Scotland Network <https://sustainable-scotland-network.org/reports/east-renfrewshire-council> .

This shows that total estimated emissions, excluding supply-chain emissions for 2022/23 was 13,423 tCO<sub>2</sub>e. This is an 8.1% reduction from last year (2021/22), and a 36.3% reduction from the baseline (2019/20). Most of the reduction in emissions can be attributed to the Clyde Valley Waste Partnership contract, which sends waste for energy recovery instead of landfill.

The Council has set a target of achieving net zero emissions by 2045. This means that emissions are reduced as far as practicable, and then any 'residual emissions' are managed by offsetting schemes, which most commonly involve tree planting. Emissions need to reduce by an estimated 850 tCO<sub>2</sub>e every year until 2045. Excluding waste management emissions, which are likely to remain quite stable as a result of the long-term contract, emissions have reduced by c. 506 tCO<sub>2</sub>e per year since 2019/20. At present, it is assessed that East Renfrewshire Council will not reach the target by 2045 unless more measures to avoid, reduce and or mitigate carbon emissions can be progressed. Although emissions from electricity and water are expected to continue a downward trend in the coming years as the national grid and water infrastructure supplying the Council becomes more carbon neutral, there are not enough measures currently in place that will reduce emissions to net zero by 2045.

East Renfrewshire Council is not alone in this respect with most local authorities acknowledging this challenge via representation through COSLA to the Scottish Government. To achieve this goal the Council will require to progress significant action and investment as soon as possible. The GTZAP sets out the major steps needed to achieve net zero by 2045. These include transitioning away from diesel vehicles and gas boilers in Council properties, as well as improving the energy efficiency in buildings through new investment.

In June 2022, the Council introduced a climate change impact assessment (CCIA) process. This requires all Council/Cabinet reports where a decision is required to complete an assessment of any positive or negative impact on emissions or nature. This process has been adapted for consideration in Procurement Strategies, Capital Project Applications and grant-funding project appraisal.

## **Events During 2023/24**

### **Digital Transformation**

Savings plans for future years are developed by the Corporate Management Team on the basis of the Scottish and UK budgets and are reviewed to take account of any multi-year settlement information subsequently published. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council continues to seek efficiencies through reviews and transformation initiatives wherever possible.

The Council's Digital Transformation Strategy focuses on 3 areas: Customer Experience; Business Systems & Processes; and Workforce Productivity.

Overall governance of the Digital Transformation Programme is through the Corporate Management Team (CMT), responsible for ensuring that savings and benefits are achieved and that programme and project priorities, dependencies and resources are well managed. CMT meet to discuss Digital Transformation on a 6-monthly basis, with update reports to Cabinet due at least annually.

In recent years, the Council has placed high reliance on its digital transformation programme to drive change and savings across all services. The Revenue Estimates for 2024/25 concluded that £1.122m (36%) of the Council's savings proposals for 2024/25 related to efficiencies or to the Council's digital transformation programme and the focus on the Council's 3 capabilities. These will be recurring



## **Management Commentary (cont'd)**

savings. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council will continue to seek efficiencies through reviews and transformation initiatives wherever possible.

East Renfrewshire Council has a policy of always taking a prudent approach to the calculation of savings. Savings are only included in formal budgets once we have a high degree of confidence that they can be achieved (and in many cases are already in place through work in previous years). There has been significant progress in recent years in delivery of the Council's digital transformation strategy.

Given that the Transformation programme is taking place against a backdrop of prolonged, real-term reductions in budgets and statutory and national policy obligations remain at least constant, key elements of the programme have focussed on supporting and enhancing workforce productivity, future cost avoidance, maintaining or meeting statutory or policy compliance, and risk reduction - as well as cost reduction.

Cabinet considered an update on our [Digital Transformation Programme](https://www.eastrenfrewshire.gov.uk/media/10660/Cabinet-Item-06-5-September-2024/pdf/Cabinet_Item_06_-_5_September_2024.pdf?m=1724327405573) in September 2024 ([https://www.eastrenfrewshire.gov.uk/media/10660/Cabinet-Item-06-5-September-2024/pdf/Cabinet\\_Item\\_06\\_-\\_5\\_September\\_2024.pdf?m=1724327405573](https://www.eastrenfrewshire.gov.uk/media/10660/Cabinet-Item-06-5-September-2024/pdf/Cabinet_Item_06_-_5_September_2024.pdf?m=1724327405573)). It was noted that the key principles behind the programme that will lead to budget savings are:

- Continuing to implement our Digital Transformation Strategy, with a focus on customer experience, streamlined end to end systems and processes and greater use of Microsoft365 capabilities for productivity
- An increased focus on user engagement in service design and more community empowerment to provide services which put customers at the heart of provision, improving services and potentially lowering costs
- Improving the sharing and management of data across the organisation.

It has continued to be necessary for us to regularly prioritise this work throughout the year to ensure a focus on benefit realisation and to rigorously manage the limited resources available to support projects. New projects go through an intake process to determine how best they are delivered – this will include project prioritisation, with the budget and skills dictating how much can be achieved in a given year. Programme Boards are involved in this prioritisation to ensure best use of 'shared resource' e.g. ICT, HR and project staff.

Projects are funded through a Digital transformation budget, which will need reviewed year on year as part of the budget process. A modernisation reserve was created in 2014 to fund change projects across the Council. In the early days the fund was topped up annually from underspends at year end. However in recent years, there has been little opportunity to top up so the fund has been declining in value. However given the 2022/23 year end surplus, £2m was transferred to this fund to enable projects to be funded in future years.

### **Significant Trading Operations**

The Local Government Scotland Act 2003 sets out the requirements for statutory trading accounts to be maintained for "significant" trading operations only. The Council after adopting the CIPFA/LASAAC criteria concluded that there are no services that can be classified as a significant trading operation.

### **Events after the Balance Sheet Date**

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration. With reference to Note 9, work is ongoing as to the impacts on the recent judgement



## **Management Commentary (cont'd)**

relating to the Virgin Media Ltd. V NTL Pension Trustees II Ltd. case and no allowance for any potential impact is included in the financial statements.

### **COVID 19**

The COVID-19 pandemic impacted significantly on all Council services during 2020 and 2021 and continued to influence services during 2022 and 2023 as we worked to recover and to establish a “new normal”. Service delivery approaches, workforce, technical capability and budgets have all had to be amended to recognise this. Grant funding was provided in 2020/21 and 2021/22 and has been used to cover both unfunded COVID service costs and local community pandemic related pressures. The position must continue to be carefully monitored in the coming years so that any such COVID-19 related costs are clearly identified and funding secured wherever possible so as to minimise additional pressure on already strained service revenue budgets.

## **5. Where to Find More information**

**In this Document** - Requirements governing the format and content of Local Authorities’ annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). An explanation of the financial statements which follow and their purpose is shown at the top of each relevant page. A glossary of terms at the end of this document provides an explanation of the main terms used.

**On Our Website** - Further information on the Accounts can be obtained on the Council’s website <https://www.eastrenfrewshire.gov.uk/how-we-spend-money> or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG. All links referred to in the accounts are not subject to External Audit Scrutiny.

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

Councillor Owen O’Donnell  
Leader of the Council

Steven Quinn  
Chief Executive



## **Statement of Responsibilities**

**PURPOSE:** This statement sets out the Council's responsibilities and those of the Chief Financial Officer

### **The Council's Responsibilities:**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Head of Accountancy (Chief Financial Officer)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003)
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts will be approved for signature by the Council on 26 September 2024

Signed on behalf of East Renfrewshire Council  
Councillor Owen O'Donnell  
Leader of the Council

### **The Head of Accountancy (Chief Financial Officer) Responsibilities**

The Head of Accountancy (Chief Financial Officer) is responsible for the preparation of the Council's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

#### **In preparing Annual Accounts, the Head of Accountancy (Chief Financial Officer) has:**

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates on a reasonable basis;
- complied with legislation;
- complied with the Accounting Code (in so far as it is compatible with legislation)

#### **The Head of Accountancy (Chief Financial Officer) has also:**

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;

I certify that the financial statements give a true and fair view of the financial position of East Renfrewshire Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2024.

Margaret McCrossan, CPFA,  
Head of Accountancy (Chief Financial Officer)





## Annual Governance Statement

East Renfrewshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We ensure that public money is safeguarded and properly accounted for and that our resources are used economically, efficiently and effectively.

In discharging this accountability, our elected members and senior officers are responsible for putting in place proper arrangements for the governance of our business and the stewardship of our resources and assets. As part of this responsibility we review and adopt a Code of Corporate Governance annually.

The Code is built around these seven principles:

- A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- B. Ensuring openness and comprehensive stakeholder engagement
- C. Defining outcomes in terms of sustainable economic, social, and environmental benefits
- D. Determining the interventions necessary to optimise the achievement of the intended outcomes
- E. Developing the entity's capacity, including the capability of its leadership and the individuals within it
- F. Managing risks and performance through robust internal control and strong public financial management
- G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

An update on progressing the actions from the previous version of the Code of Corporate Governance has been undertaken and considered at the Audit & Scrutiny committee at the meeting of the 20 June 2024. An update on the actions as well as the 2024/25 code are available on the Council website or via these links [https://www.eastrenfrewshire.gov.uk/media/10322/CoCG-actions-23-24/pdf/CoCG\\_Updates\\_3.pdf?m=1718295494470](https://www.eastrenfrewshire.gov.uk/media/10322/CoCG-actions-23-24/pdf/CoCG_Updates_3.pdf?m=1718295494470) and [https://www.eastrenfrewshire.gov.uk/media/10476/Code-of-Corporate-Governance-2024-to-2025/pdf/Code\\_of\\_Corporate\\_Governance\\_24-25\\_for\\_website.pdf?m=1718972832703](https://www.eastrenfrewshire.gov.uk/media/10476/Code-of-Corporate-Governance-2024-to-2025/pdf/Code_of_Corporate_Governance_24-25_for_website.pdf?m=1718972832703)

The Council has also established various subsidiaries and associates to deliver services more effectively. While these organisations are required to implement their own organisational governance and management arrangements and structures, they also form part of the overall governance environment of the Council group.

### **Compliance**

This statement outlines East Renfrewshire Council's level of compliance with the Code of Practice on Local Authority Accounting in the UK based on International Financial Reporting Standards which detail the requirements for an Annual Governance Statement.

2021/22 was the first year that Councils were asked to show full compliance with CIPFA's Financial Management Code to assist them in validating their financial sustainability. An [assessment](https://www.eastrenfrewshire.gov.uk/media/7393/Cabinet-item-05-10-March-2022/pdf/Cabinet_item_05_-_10_March_2022.pdf?m=637813803155200000) was completed and submitted to Cabinet on 10 March 2022 ([https://www.eastrenfrewshire.gov.uk/media/7393/Cabinet-item-05-10-March-2022/pdf/Cabinet\\_item\\_05\\_-\\_10\\_March\\_2022.pdf?m=637813803155200000](https://www.eastrenfrewshire.gov.uk/media/7393/Cabinet-item-05-10-March-2022/pdf/Cabinet_item_05_-_10_March_2022.pdf?m=637813803155200000) )



## **Annual Governance Statement (cont'd)**

The assessment followed the series of principles and supporting specific standards within the code, demonstrating that the Council has strong foundations to:

- Financially manage the short, medium and long-term finances of the Council
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances

This has been reviewed by the Head of Accountancy during 2023/24. The position as reported in the 2022/23 Annual Governance Statement is unchanged except that the performance against revenue budgets is now reported four times a year instead of five, with agreement from our External Audit team. In addition, elected member involvement in financial planning has been formalised as part of the cross-party Budget Strategy Group arrangements. The Council has also established several additional reserves to assist with longer term financial resilience.

Further reviews of compliance will be carried out yearly and any outstanding matters or areas of improvement will be included in the action plan on this statement.

The Council's committee structure in terms of the number of committees, their composition and their terms of reference is set out in the Scheme of Administration. The Council made full use of remote meetings technology during the year and all committees met in accordance with the meetings calendar.

### **The purpose of the governance framework**

The governance framework comprises the systems, processes, culture and values by which we control our processes and engage with our residents and communities. It enables us to monitor the progress we have made towards achieving our strategic outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost-effective services.

Our system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. Our system of internal control is based on an ongoing process designed to identify and prioritise the risks to achieving our outcomes, policies, aims and objectives; to evaluating the likelihood of those risks being realised and the impact should they be realised; and to managing them efficiently, effectively and economically.

Our system of internal financial control is based on a well-established framework of regular management and performance information, financial regulations, administrative procedures, management supervision, and a system of delegation and accountability. Regular reviews of information and systems within this framework are undertaken by our managers.

The system includes –

- A clear strategic direction set out in our Vision for the Future, supported by a set of values and 3 organisational capabilities (amended by Council from 5 capabilities in June 2023).
- Sound financial management arrangements which comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- Clear roles and responsibilities for the Corporate Management Team (CMT) and elected members with well-defined delegation arrangements.
- A statutory section 95 officer and a Chief Financial Officer for East Renfrewshire Health and Social Care Partnership (HSCP) Integration Joint Board.



## **Annual Governance Statement (cont'd)**

- An Audit and Scrutiny Committee which provides a robust and effective level of scrutiny and challenge.
- High standards of budgeting, monitoring and reporting.
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against forecasts
- Clearly defined capital expenditure guidelines.
- Matching of asset base to Council objectives in terms of suitability and sustainability and supported by appropriate asset management plans overseen by the Corporate Asset Management Group.
- Well embedded and systematic approach to risk management.
- Well-developed corporate performance management arrangements with regular reports to the Corporate Management Team and Council. Performance management reports are also published on the Council's website.
- Procedures in place to help members and employees comply with relevant codes of conduct and policies.
- The provision of extensive training and development opportunities for all elected members and employees.

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2024 and up to the date of approval of the Statement of Accounts.

### **Review of effectiveness**

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and by comments made by external auditors and other scrutiny agencies, regulators and inspectorates.

Internal Audit is our independent appraisal function established for the review of the internal control system as a service to the organisation. The service objectively examines, evaluates and reports on the adequacy of our internal control as a contribution to the proper, economic, efficient and effective use of the Council's resources.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The service undertakes an annual programme of work approved by the Audit and Scrutiny Committee based on a five-year strategic plan. The strategic plan is based on a formal risk-based audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

All our elected members and officers are committed to the concept of sound governance and the effective delivery of services. The Audit and Scrutiny Committee perform an effective scrutiny and challenge role in relation to the application of the Code of Corporate Governance and regularly monitor the performance of the Council's Internal Audit service and strategic risk management arrangements.



## **Annual Governance Statement (cont'd)**

The Council complies with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption (2014) by supporting its Anti-Fraud, Bribery and Theft Strategy 2022-2027, approved by the Corporate Management Team. This strategy outlines the measures taken by the Council to protect itself against malpractice through either fraud or corrupt practices. The strategy is supported by Council policies & procedures including the Whistleblowing Policy, Anti-Money Laundering Policy, Guidance on Gifts and Hospitality and Register (Probity Register), information on a declaration of interest, Code of Conduct for Elected Members, Code of Conduct for Employees and the Information and Cyber Security Policy. The identification of risk is carried out in line with the Council's Risk Management Framework 2023-2025.

Using tools made available by the Chartered Institute of Public Finance and Accountancy (CIPFA) for a review on what is accepted as best practice for local authority audit committees, the Committee progressed its most recent self-assessment of its effectiveness at the end of 2021 and start of 2022. Arising from that review, a list of recommendations and observations were approved by the Committee in April 2022, then subsequently endorsed by the new Committee following the local government Elections in May. Recommendations made are in the process of being considered and implemented as appropriate.

The results of Internal Audit's progress against the annual plan for 2023/24 have been reported quarterly to the Audit and Scrutiny Committee throughout the year.

The Annual report which will contain the assurance statement will be submitted to the Audit and Scrutiny Committee by September 2024. Internal Audit resourcing was reduced during 2023/24 but all posts have now been filled. Eight audits were deleted from the plan, and these have all been included in the 2024/25 audit plan where appropriate. During 2023/24 the internal audit service operated in accordance with relevant professional audit standards and the revised Public Sector Internal Audit Standards. The internal audit arrangements comply with the governance requirements of the CIPFA statement: '[The Role of the Head of Internal Audit in Public Organisations \(2019\)](https://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-head-of-internal-audit)' <https://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-head-of-internal-audit>

### **Progress against actions from last year's plan**

The improvement activities noted in the previous Annual Governance Statement were progressed as follows:

- Publish the Climate Change Action Plan (known as Get to Zero Action Plan) by the end of 2023. (Director of Environment, December 2023). COMPLETE. Cabinet 22 Feb 2024.
- Publish a Local Heat and Energy Efficiency Strategy (LHEES) by the end of 2023. This will be a key strategy to support the reduction in community climate emissions. (Director of Environment, December 2023). COMPLETE. Cabinet 22 Feb 2024.
- Following a Vision for the Future update to Council in June 2023, engage in further scoping and development with community partners and local residents, with a view to a broader review of outcomes and the 'golden thread' of strategic planning for 2024/25. (Head of Communities and Transformation, June 2024). ONGOING –presented to Council in September 2024.
- Enhance the role of Equality and Fairness Risk Assessments in the budget process. (Director of Business Operations and Partnerships, March 2024). COMPLETE (<https://www.eastrenfrewshire.gov.uk/impact-assessments>)
- Re-establish leadership and manager networks to promote corporate working, develop leadership skills and assist with succession planning and health and wellbeing, (Head of HR, April 2024). COMPLETE – first network planned for 29 May 2024.



## **Annual Governance Statement (cont'd)**

- Review elected member training and development, including provision of Equality and Fairness Risk assessment training and ensuring coverage of mandatory cyber essentials training (Head of HR/Director of Business Operations and Partnerships, December 2023). PARTIALLY COMPLETE with Cyber Essential training being organised for September. There were some delays due to staff turnover and election preparations.
- Complete review of Community Council scheme (Head of HR, December 2023). COMPLETE.
- Complete Phase 1 management insight dashboards (Head of Communities and Transformation, April 2024). COMPLETE.
- Complete the review of the Council's Standing orders (Democratic Services Manager, December 2023). DELAYED due to staff turnover and election preparations – carry forward to March 2025.
- Conduct a review of the Council's Schemes of Administration and Delegated Functions (Democratic Services Manager, December 2023). DELAYED due to staff turnover and election preparations – carry forward to March 2025.
- Accelerate development of an interface between Housing's Servitor system and the Council's Integra financial system (Director of Environment, March 2024) CARRY FORWARD due to pressure of work in Housing.
- Continue with manual checks by Procurement of all Housing invoices or certificated payments over £50k until the new Servitor/Integra interface is in place (Chief Procurement Officer, March 2025)

### **Other key developments during 2023/24**

- Progress report on Equality and Mainstreaming Human Rights considered by Cabinet April 2023.
- Outcome Delivery Plan & Fairer East Ren Plan 2023-24 considered by Council April 2023.
- Local Government Benchmarking Framework 2021/22 considered by Cabinet May 2023.
- Update on Digital Transformation Programme considered by Cabinet June 2023.
- Strategic End Year Performance Report and Annual Community Planning & Fairer East Ren report for 2022/23 & Local Child Poverty Action Report: Year 5 considered by Council June 2023.
- Code of Corporate Governance, considered by Audit & Scrutiny Committee June 2023.
- End Year Performance reports 2022/23 for Chief Executive's Office, Business Operations & Partnerships and Environment Departments considered by Cabinet September 2023.
- Annual Statement on Adequacy & Effectiveness of Governance, Risk Management and Internal Control Systems considered by Council September 2023.
- 2022/23 Annual Accounts and Draft Annual Audit Report for East Renfrewshire Council considered by Council September 2023.
- Annual Procurement Report 2022/23 and Procurement Strategy 2023-26 considered by Cabinet October 2023.
- Housing Services Annual Performance report 2022/23 and Assurance Statement considered by Cabinet October 2023.
- Chief Social Worker's Annual Report 2022/23 considered by Council October 2023.
- HSCP Revised Integration Scheme – Draft for Consultation considered by Council October 2023.
- COVID Reserve – Review and Final Proposals considered by Cabinet November 2023.
- Review of the Council's Approach to Risk Appetite considered by Cabinet December 2023.
- Strategic Mid-Year Performance 2023/24 considered by Cabinet December 2023.





## **Annual Governance Statement (cont'd)**

- Revenue Estimates 2024/25 Advance Savings Proposals considered by Council December 2023.
- Carbon Emissions Report 2022/23 considered by Cabinet January 2024.
- Financial Planning 2024-2030 & Capital Investment Strategy considered by Council February 2024.
- Trading Under Best Value considered by Cabinet March 2024.
- Strategic Risk Register and Risk Management Progress – Biannual Review, considered by Audit & Scrutiny Committee March 2024

### **Key actions planned relating to governance for 2024/25**

- Review elected member training and development, including provision of Equality and Fairness Risk assessment training and ensuring coverage of mandatory cyber essentials training - (Head of HR & Corporate Services, March 2025).
- A review of the Community Council Scheme of Establishment will be undertaken to incorporate new national guidance (Head of HR& Corporate Services, March 2025).
- Complete the review of the Council's Standing orders - (Democratic Services Manager, March 2025).
- Conduct a review of the Council's Schemes of Administration and Delegated Functions - (Democratic Services Manager, March 2025).
- Completion of Elected Member training and development review including Cyber essential training - (Democratic Services Manager, March 2025).
- Review the Council's strategic and community planning frameworks to align with Vision for the Future - (Head of Communities & Transformation, June 2025).
- Review community planning governance structures (Head of Communities & Transformation, March 2025).
- Accelerate development of an interface between Housing's Servitor system and the Council's Integra financial system (Director of Environment, September 2025)
- Further review of the Community Council Scheme of Establishment to incorporate new national guidance - (Head of HR & Corporate Services, March 2025).
- Continue with manual checks by Procurement of all Housing invoices or certificated payments over £50k until the new Servitor/Integra interface is in place (Chief Procurement Officer, March 2025)
- Implement a proportionate response to the new [Consumer Duty](https://consumer.scot/media/a3nnuxre/how-to-meet-the-consumer-duty-guidance-for-public-authorities-draft.pdf), March 2025, Director of Business Operations & Partnerships. <https://consumer.scot/media/a3nnuxre/how-to-meet-the-consumer-duty-guidance-for-public-authorities-draft.pdf>

### **Certificates of Assurance for Internal Financial Control**

The Chief Executive, Directors of each Department and the Chief Executive of the Culture and Leisure Trust have all signed Certificates of Assurance for Internal Control and have confirmed that to the best of their knowledge, corporate governance arrangements and financial controls in their Department have been, and are, working well and there are no new significant matters arising which would require to be raised specifically.

There are two exceptions to this, namely from the Chief Officer, IJB stating there is an ongoing investigation in relation to anomalies identified within the access to funds account and that work is ongoing with Internal Audit to progress this. In addition, the Director of Environment stated that there





## **Annual Governance Statement (cont'd)**

have been six breaches of the Employee Code of Conduct within the Department; five of the six breaches affected service delivery. The other breach is being covered within the service.

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

Under the Code we are required to state whether we comply with the CIPFA statement on the role of the Chief Financial Officer in Local Government and, if not, to explain how our governance arrangements deliver the same impact. The full statement is:

The Chief Financial Officer in a public service organisation:

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

To deliver these responsibilities the Chief Financial Officer:

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

The Council considers that it is fully compliant with the above statement.

### **Assurance**

We consider that the governance and internal control environment operating during 2023/24 provided reasonable and objective assurance that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken.

Looking ahead well-established systems remain in place to review our governance and internal control environment. We will continue to review our corporate governance arrangements and closely monitor progress on the key improvement actions to support our ultimate aim: making people's lives better in East Renfrewshire.

Cllr Owen O'Donnell  
Leader of the Council

Steven Quinn  
Chief Executive  
On behalf of East Renfrewshire Council



# **Remuneration Report**

## **Remuneration Report**

This statement provides information on the remuneration and pension benefits for the senior officers and members of East Renfrewshire Council.

The Local Authority Accounts (Scotland) Amendment Regulations 2011 (SSI No. 2011/64) amend the Local Authority Accounts (Scotland) Regulations 1985 (SI No. 1985/267) and require local authorities in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

All information disclosed in sections 3 to 7 in this Remuneration Report have been audited. The other sections of the Remuneration Report are reviewed to ensure that they are consistent with the financial statements.

### **1. Remuneration Policy for the Leader of the Council, Provost and Senior Councillors.**

The remuneration of councillors is regulated by the Local Governance (Scotland) 2004 (Remuneration) Regulations 2007 (SSI No 2007/183). In 2023/24 their average salary increased by 2.7%. The Regulations provide for the grading of councillors for the purposes of remuneration arrangements, as either the Leader of the Council, the Provost, Senior Councillors or Councillors. The Leader of the Council and the Provost cannot be the same person for the purposes of payment of remuneration. A Senior Councillor is a councillor who holds a significant position of responsibility in the Council's political management structure.

When determining the level of remuneration for councillors the Scottish Ministers consider the recommendations of the Scottish Local Authority Remuneration Committee (SLARC). SLARC is an advisory Non-Departmental Public Body set up in 2005 to advise Scottish Ministers on the remuneration, allowances and expenses incurred by the Council's councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 1 April 2023 the maximum annual salary for the Leader of East Renfrewshire Council was £33,503. The Regulations permit the council to remunerate one Provost and set out the salary that should be paid.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £203,518. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

In 2023/24 East Renfrewshire Council had 7 Senior Councillors, which is two less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £175,896. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was approved by the Scottish Government on 30 January 2023.



# Remuneration Report (cont'd)

## 2. Remuneration Policy for Senior Employees

The annual pay awards are determined at a national level within the framework of the Scottish Joint Council (SJC) for Local Government Employees and within the framework of the Scottish Negotiating Committee for Teachers (SNCT) for teachers and associated professionals. The SJC has representatives from Local Authorities (COSLA representing Employers side) and Trade Unions (Employee side represented by GMB, Unison and Unite). The SNCT is a tripartite body comprising members from Local Authorities (COSLA representing Employers side), Trade Unions (Employee side represented by EIS, NASUWT, SSTA and VOICE) and Scottish Government.

Any changes proposed to local terms and conditions that would affect remuneration require to be taken to East Renfrewshire Cabinet for approval. The Cabinet membership comprises only of Elected Members on the administration.

## 3. Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Regulations 2014 provides definitions of a “senior employee” as those who have responsibility for management of the local authority, the Council has interpreted this guidance to include the Chief Executive and those staff reporting directly to the Chief Executive. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included, and in this regard the Chief Executive of East Renfrewshire Culture & Leisure Trust, whose salary is set by the Trust’s Board, has been included. The regulations also state that those who hold posts that are politically restricted should be included and to this effect the Council’s Chief Social Work officer has been included. The remuneration paid to senior employees, including additional payments for election work, is set out in the following table. Generally senior employees are reimbursed for election work within the relevant financial year, however, payments made to the Chief Executive (Lorraine McMillan) are phased as indicated below:-

2022/23	Scottish Parliamentary Election, 6 May 2021 (25%)
	Scottish Local Government Elections, 5 May 2022 (100%)
2023/24	No payments for election work were made during 2023/24

**Remuneration Report (cont'd)****East Renfrewshire Council**

		<b>Salary, Fees and Allowances</b>	<b>Election work</b>	<b>Taxable Expenses and Allow</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Steven Quinn (Chief Executive commenced on 14/08/23. Full year equivalent salary for 2023/24 was £138,508)	2023/24 2022/23	87,663 -	- -	- -	87,663 -
Lorraine McMillan (Chief Executive retired 30/07/23. Full Year equivalent salary for 2023/24 was £138,508)	2023/24 2022/23	45,160 130,231	843 2,085	- -	46,003 132,316
Mark Ratter (Director of Education)	2023/24 2022/23	126,250 119,025	- -	- -	126,250 119,025
Julie Murray * (Chief Officer of East Renfrewshire Integration Joint Board)	2023/24 2022/23	128,143 120,811	- -	- -	128,143 120,811
Kate Rocks * (Chief Social Work Officer resigned 15/08/22. Full Year equivalent salary for 2022/23 was £97,338)	2023/24 2022/23	- 34,831	- -	- -	- 34,831
Raymond Prior* (Chief Social Worker commenced on 01/08/22. Full year equivalent salary for 2022/23 was £97,338)	2023/24 2022/23	102,950 64,620	- -	- -	102,950 64,620
Andrew Cahill (Director of Environment, retired 01/11/22. Full year equivalent salary for 2022/23 was £119,368)	2023/24 2022/23	- 67,145	- -	- -	- 67,145
Margaret McCrossan (Head of Accountancy/ Chief Financial Officer)	2023/24 2022/23	112,803 106,348	- 150	- -	112,803 106,498
Louise Pringle (Director of Business Operations & Partnerships.)	2023/24 2022/23	126,250 119,024	- 150	- -	126,250 119,174
Caitriona McAuley (Director of Environment. Commenced on 01/01/23. Full Year Equivalent salary for 2022/23 was £119,368)	2023/24 2022/23	126,250 28,879	- -	- -	126,250 28,879
Gerry Mahon (Chief Officer – Legal and Procurement)	2023/24 2022/23	89,409 84,871	- 150	- -	89,409 85,021
Michelle Blair (Chief Auditor)	2023/24 2022/23	63,973 60,303	- 150	- -	63,973 60,453

\* This salary is funded jointly with NHS Greater Glasgow and Clyde

**East Renfrewshire Culture & Leisure Trust**

Anthony McReavy (Chief Executive Culture & Leisure Trust)	2023/24 2022/23	98,089 92,476	- -	- -	98,089 92,476
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## Remuneration Report (cont'd)

### 4. Remuneration of Senior Councillors

Name (A)	Position Held (B)	Salary - Payments made by Council			Re-imbusement of Members Expenses					Total Salary Expenses Expenses 2023/24 (E + J)	Total Salary Expenses 2022/23
		Gross Allowance	Less Recharge to External Bodies	Net Allowances Paid	Car & Van Expenses - Reimbursed	Other Travel Expenses - Reimbursed	Subsistence, Training & Conference Expenses	Telephone & ICT Expenses Paid Directly	Total Expenses (F to I)		
		(C) £	(D) £	(E) £	(F) £	(G) £	(H) £	(I) £	(J) £	(K) £	(L) £
O'Donnell	Leader of the Council from 25 May 2022. Convener for Environment from 25 May 2022 until 7 September 2022	33,503	-	33,503	-	501	674	89	1,264	34,767	29,126
Montague	Provost from 25 May 2022	25,128	-	25,128	-	-	585	141	726	25,854	21,966
	Leader and Provost	58,631	-	58,631	-	501	1,259	230	1,990	60,621	51,092
Anderson	Convener for Education and Equalities from 25 May 2022 until 7 September 2022. Convener of Education, Culture and Leisure from 7 September 2022.	25,128	-	25,128	-	-	-	111	111	25,239	21,960
Campbell	Depute Provost from 25 May 2022	25,128	-	25,128	-	-	-	111	111	25,239	21,970
Cunningham	Deputy Provost and Convener for Environment until 5 May 2022. Chair of Planning Applications Committee/Local Review Body from 25 May 2022.	25,128	-	25,128	-	12	-	210	222	25,350	24,310
Devlin	Convener for Housing & Maintenance Services until 7 September 2022. Convener for Environment and Housing from 7 September 2022.	25,128	-	25,128	-	-	-	655	655	25,783	24,615
Edlin	Chair of Licensing Committee from 25 May 2022	25,128	-	25,128	-	-	-	91	91	25,219	21,999
McLean	Vice Chair of Planning Applications Committee/Local Review Body from 7 September 2022.	25,128	-	25,128	-	-	-	29	29	25,157	23,246
Morrison	Chair of Audit & Scrutiny Committee from 25 May 2022	25,128	-	25,128	-	-	-	111	111	25,239	21,959
	Senior Councillors	<b>175,896</b>	-	<b>175,896</b>	-	<b>12</b>	-	<b>1,318</b>	<b>1,330</b>	<b>177,226</b>	<b>160,059</b>
	All Other Councillors(note 1)	<b>180,891</b>	-	<b>180,891</b>	<b>514</b>	<b>669</b>	<b>674</b>	<b>1,246</b>	<b>3,103</b>	<b>183,994</b>	<b>194,357</b>
	<b>Total</b>	<b>415,418</b>	-	<b>415,418</b>	<b>514</b>	<b>1,182</b>	<b>1,933</b>	<b>2,794</b>	<b>6,423</b>	<b>421,841</b>	<b>405,508</b>

Notes: The undernoted receive remuneration as representatives of the Council on outside bodies.

1. Councillor Pragnell, included in All Other Councillors, receives payment directly from the NHS Greater Glasgow and Clyde as a member of the Board



# Remuneration Report (cont'd)

## 5. Pension Entitlement

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees a final salary pension scheme operated until 31 March 2015. This means that pension benefits were based on the final year's pay and the number of years that person has been a member of the scheme. However, from April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.

There is no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Prior to 1 April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The scheme's normal retirement age for both councillors and employees is their state retirement age.

From 1 April 2009 a six tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and scheme members' contribution rates for 2023/24 and 2022/23 are as follows:-

Actual Pensionable pay	Contribution rate 2023/24	Actual Pensionable pay	Contribution rate 2022/23
On pensionable pay up to and including £32,133	7.2%	On pensionable pay up to and including £29,186	7.2%
On pensionable pay £32,134 to £43,257	8.7%	On pensionable pay £29,187 to £39,289	8.7%
On pensionable pay £43,258 to £51,291	9.7%	On pensionable pay £39,290 to £46,586	9.7%
On pensionable pay £51,292 to £67,975	10.4%	On pensionable pay £46,587 to £61,740	10.4%
On pensionable pay £67,976 to £92,693	11.5%	On pensionable pay £61,741 to £84,190	11.5%
On pensionable pay above £92,694	11.9%	On pensionable pay above £84,191	11.9%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.





## Remuneration Report (cont'd)

The pension entitlements of Senior Employees for the year to 31 March 2024 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment, including any service with a Council subsidiary body.

### East Renfrewshire Council

Name and Post Title	In Year Pension contribution		2023/24 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2023	
	2023/24 £	2022/23 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Steven Quinn (Chief Executive commenced 14/08/23)	16,721	-	2	-	2	-
Lorraine McMillan (Chief Executive retired 30/07/23)	8,902	25,135	39	5	1	-
Mark Ratter (Director of Education)	24,356	22,972	53	-	8	-
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	24,721	23,316	59	68	5	4
Raymond Prior (Chief Social Worker Commenced 01/08/22)	19,861	16,603	36	39	6	4
Margaret McCrossan (Head of Accountancy / Chief Financial Officer)	21,762	20,525	75	125	13	19
Louise Pringle (Director of Business Operations and partnerships)	24,356	22,972	47	44	8	5
Caitriona McAuley (Director of Environment. Commenced 01/01/23)	24,356	5,574	3	-	3	-
Gerry Mahon (Chief Officer – Legal and Procurement)	17,249	16,380	44	53	3	-
Michelle Blair (Chief Auditor)	12,342	11,639	31	37	4	2
<b>East Renfrewshire Culture and Leisure Trust</b>						
Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust)	18,923	17,848	17	-	3	-

**Remuneration Report (cont'd)****Senior Councillors**

The pension entitlements for Senior Councillors for the year to 31 March 2024 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

Name and Post Title	In Year Pension contribution		2023/24 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2023	
	2023/24 £	2022/23 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Cllr Anderson - Convener for Education and Equalities from 25 May 2022 until 7 September 2022. Convener of Education, Culture and Leisure from 7 September 2022.	4,850	4,214	1	-	-	-
Cllr Campbell - Depute Provost from 25 May 2022	4,850	4,214	1	-	-	-
Cllr Cunningham – Deputy Provost and Convener for Environment until 5 May 2022. Chair of Planning Applications Committee/Local Review Body from 25 May 2022.	-	-	-	-	-	-
Cllr Devlin – Convener for Housing & Maintenance Services until 7 September 2022. Convener for Environment and Housing from 7 September 2022.	4,850	4,659	4	-	1	-
Cllr Edlin - Chair of Licensing Committee from 25 May 2022	-	-	-	-	-	-
Cllr McLean - Vice Chair of Planning Applications Committee/Local Review Body from 7 September 2022.	4,850	4,478	3	-	1	-
Cllr Montague – Provost from 25 May 2022	-	-	-	-	-	-
Cllr Morrison – Chair of the Audit and Scrutiny Committee from 25 May 2022	4,850	4,214	1	-	-	-
Cllr O'Donnell – Leader of the Council from 25 May 2022	6,466	5,511	1	-	-	-

All senior members shown in the above table, with the exception of Cllr Cunningham, Cllr Edlin and Cllr Montague, are members of the Local Government Pension Scheme.



## Remuneration Report (cont'd)

### 6. Remuneration of Employees

The Council's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

Remuneration band	2023/24			2022/23		
	Teachers	Employees	Total	Teachers	Employees	Total
£50,000 - £54,999	440	66	506	103	58	161
£55,000 - £59,999	91	51	142	82	25	107
£60,000 - £64,999	95	31	126	28	18	46
£65,000 - £69,999	61	10	71	26	3	29
£70,000 - £74,999	41	10	51	6	8	14
£75,000 - £79,999	22	1	23	4	1	5
£80,000 - £84,999	13	1	14	3	3	6
£85,000 - £89,999	8	4	12	1	2	3
£90,000 - £94,999	2	-	2	-	10	10
£95,000 - £99,999	3	10	13	2	-	2
£100,000 - £104,999	2	1	3	1	-	1
£105,000 - £109,999	-	-	-	-	1	1
£110,000 - £114,999	1	1	2	-	-	-
£115,000 - £119,999	1	-	1	-	2	2
£120,000 - £124,999	-	-	-	-	1	1
£125,000 - £129,999	-	4	4	-	-	-
£130,000 - £134,999	-	-	-	-	1	1
£135,000 - £139,999	-	-	-	-	1	1

### 7. Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. The table below shows all exit packages that were accrued in the year, of which all were voluntary. Exit package values include redundancy, compensatory lump sum, pension strain and notional capitalised compensatory added years costs (CAY). The notional capitalised compensatory added years costs are based on an assessment of the present value of all future payments to the retiree until death. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on Scottish Public Pensions Agency calculations.

(a) Exit packages Bands	(b) Number of Leavers		(c) Cash Value		(d) Notional CAY Value		(e) Total cost of exit packages in each band	
	2023/24	2022/23	£	£	£	£	2023/24	2022/23
£0-£20,000	8	6	115,833	52,985	-	12,757	115,833	65,742
£20,001-£40,000	10	2	281,803	59,880	-	-	281,803	59,880
£40,001-£60,000	7	1	342,390	18,741	-	39,104	342,390	57,845
£60,001-£80,000	1	1	64,904	73,616	-	-	64,904	73,616
£80,001-£100,000	5	1	420,186	98,779	24,910	-	445,096	98,779
£100,001-£150,000	11	1	1,268,519	102,316	33,820	-	1,302,339	102,316
>£150,001	2	-	334,776	-	-	-	334,776	-
<b>Total Cost included in CIES</b>	<b>44</b>	<b>12</b>	<b>2,828,411</b>	<b>406,317</b>	<b>58,730</b>	<b>51,861</b>	<b>2,887,141</b>	<b>458,178</b>

**Remuneration Report (cont'd)****8. Trade Union**

Below is a list of the information that local councils are required to publish on facility time usage and spend by trade union representatives.

<b>Relevant Union Officials – Non Teaching</b>	
Number of employees who were relevant union officials from 1 April 2023 to 31 March 2024	Full-time equivalent employee number
	1
<b>Percentage of time spent on facility time</b>	
Percentage of time	Number of Employees
0%	
1-50%	
51%-99%	
100%	1
<b>Percentage of pay-bill spent on facility time</b>	
Total Cost of Facility Time	£72,437
Total Wage Bill	£106,395,225
Percentage of Wage Bill spent on facility time	0.07%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

<b>Relevant Union Officials - Teaching</b>	
Number of employees who were relevant union officials from 1 April 2023 to 31 March 2024	Full-time equivalent employee number
	1.4
<b>Percentage of time spent on facility time</b>	
Percentage of time	Number of Employees
0%	
1-50%	1
51%-99%	
100%	1
<b>Percentage of pay-bill spent on facility time</b>	
Total Cost of Facility Time	£125,806
Total Wage Bill	£96,503,070
Percentage of Wage Bill spent on facility time	0.13%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Councillor Owen O'Donnell  
Leader of the Council

Steven Quinn  
Chief Executive



# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation (or rents). The individual segments reflect the reporting structure of the Council. Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year Ended 31 March 2023			Year Ended 31 March 2024			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
182,820	(19,083)	163,737	Education	203,711	(18,509)	185,202
150,014	(82,011)	68,003	HSCP – Provision of Services	158,865	(91,036)	67,829
48,008	(11,391)	36,617	Environment	41,540	(11,664)	29,876
23,076	(14,370)	8,706	Business Operations & Partnerships	24,241	(13,809)	10,432
561	(273)	288	Chief Executive's Office	626	(284)	342
6,434	(109)	6,325	Other Expenditure & Income	11,309	(3,113)	8,196
3,664	(254)	3,410	Support Services – Chief Executive's Office	2,875	(221)	2,654
13,442	(283)	13,159	Support Services – Business Operations & P'ships.	13,283	(288)	12,995
2,030	(566)	1,464	Support Services – Environment	1,610	(147)	1,463
<b>430,049</b>	<b>(128,340)</b>	<b>301,709</b>	<b>Cost of general fund services</b>	<b>458,060</b>	<b>(139,071)</b>	<b>318,989</b>
19,269	(14,024)	5,245	HRA	16,541	(15,170)	1,371
<b>449,318</b>	<b>(142,364)</b>	<b>306,954</b>	<b>Cost of Services</b>	<b>474,601</b>	<b>(154,241)</b>	<b>320,360</b>
		(490)	Other operating expenditure/ (income) (Note 12)			(6,661)
		9,569	Financing and investment income and expenditure (Note 13)			1,671
		<u>(288,825)</u>	Taxation and non-specific grant income (Note 14)			<u>(303,870)</u>
		<b>27,208</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>11,500</b>
		(81,592)	(Surplus) or deficit on revaluation of Non-Current assets (Note 26)			(70,692)
		4,229	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 26)			47,625
		-	Surplus or deficit on revaluation of available for sale financial assets			
		(185,547)	Actuarial (gains)/losses on pension assets/liabilities (Note 26)			135,934
		<u>(262,910)</u>	<b>Other Comprehensive (Income) and Expenditure</b>			<u>112,867</u>
		<b>(235,702)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>124,367</b>



# Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'.

The statement shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year.

The Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Capital Grants & Receipts Unapplied £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(803,434)</b>	<b>(867,905)</b>
<b>Movement in reserves during 2023/24</b>										
Total Comprehensive (Income) and Expenditure	5,171	-	6,329	-	-	-	-	11,500	112,867	124,367
Adjustments between accounting basis & funding basis under regulations (Note 10)	(9,782)	-	(6,183)	-	-	-	147	(15,818)	15,818	-
<b>(Increase)/Decrease in 2023/24</b>	<b>(4,611)</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>(4,318)</b>	<b>128,685</b>	<b>124,367</b>
<b>Net transfer (to) or from reserves</b>	<b>3,967</b>	<b>10,992</b>	<b>-</b>	<b>-</b>	<b>(1,239)</b>	<b>(98)</b>	<b>(13,622)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>(7,302)</b>	<b>(34,464)</b>	<b>(1,652)</b>	<b>-</b>	<b>(4,450)</b>	<b>(2,044)</b>	<b>(18,877)</b>	<b>(68,789)</b>	<b>(674,749)</b>	<b>(743,538)</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,772)</b>	<b>(34,417)</b>	<b>(1,867)</b>	<b>(2,628)</b>	<b>(3,647)</b>	<b>(1,903)</b>	<b>(2,671)</b>	<b>(58,905)</b>	<b>(573,298)</b>	<b>(632,203)</b>
<b>Movement in reserves during 2022/23</b>										
Total Comprehensive (Income) and Expenditure	23,910	-	3,298	-	-	-	-	27,208	(262,910)	(235,702)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(29,730)	-	(3,229)	2,628	-	-	(2,443)	(32,774)	32,774	-
<b>(Increase)/Decrease in 2022/23</b>	<b>(5,820)</b>	<b>-</b>	<b>69</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>(2,443)</b>	<b>(5,566)</b>	<b>(230,136)</b>	<b>(235,702)</b>
<b>Net transfer (to) or from reserves</b>	<b>10,934</b>	<b>(11,039)</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>(43)</b>	<b>(288)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(803,434)</b>	<b>(867,905)</b>





## Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023 £000		Notes	31 March 2024 £000
934,612	Property, Plant & Equipment	15	956,812
285	Heritage Assets	16	318
140	Intangible Assets	18	148
247	Investments	20	243
131,896	Defined Benefit Asset	40	-
<b>1,067,180</b>	<b>Long Term Assets</b>		<b>957,521</b>
-	Assets Held for Sale	19	60
481	Short Term Intangible Assets		-
588	Inventories		681
24,689	Short Term Debtors	21	24,556
4,999	Short Term Investments	20	-
62,281	Cash and Cash Equivalents	23	35,640
<b>93,038</b>	<b>Current Assets</b>		<b>60,937</b>
(377)	Short Term Borrowing	20	(16)
(5,368)	Finance Leases including PFI/PPP	20	(5,567)
(64,414)	Short Term Creditors	24	(49,846)
(640)	Provisions – short term	25	(592)
<b>(70,799)</b>	<b>Current Liabilities</b>		<b>(56,021)</b>
(166)	Provisions – long term	25	(1,295)
(127,639)	Long Term Borrowing	20	(127,623)
(5)	Long Term Creditors	24	(5)
(68,132)	PFI/PPP Finance Lease	20	(62,565)
(17,398)	Defined Benefit Pension Liability	40	(16,886)
(8,174)	Capital Grant Receipts in Advance	32	(10,525)
<b>(221,514)</b>	<b>Long Term Liabilities</b>		<b>(218,899)</b>
<b>867,905</b>	<b>Net Assets</b>		<b>743,538</b>
(64,471)	Usable Reserves	11	(68,789)
(803,434)	Unusable Reserves	26	(674,749)
<b>(867,905)</b>	<b>Total Reserves</b>		<b>(743,538)</b>

Margaret McCrossan CPFA  
Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 12 June 2024 and the audited financial statements were authorised for issue by the Head of Accountancy on 26 September 2024



## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
27,208	Net (surplus) or deficit on the provision of services	11,500
(33,916)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)	(15,656)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
<hr/>		
(6,708)	Net cash flows from Operating Activities	(4,156)
20,205	Investing Activities (Note 28)	30,055
(12,964)	Financing Activities (Note 29)	742
<hr/>		
533	Net (increase) or decrease in cash and cash equivalents	26,641
(62,814)	Cash and cash equivalents at the beginning of the reporting period	(62,281)
<hr/>		
<b>(62,281)</b>	<b>Cash and cash equivalents at the end of the reporting period (Including Bank Overdraft) - (Note 23)</b>	<b>(35,640)</b>
<hr/>		



# **Notes to the Accounts**

## **1. ACCOUNTING POLICIES**

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and the Local Government in Scotland Act 2003, section 12 of which requires the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of non-current assets and financial instruments.

### **Going Concern**

The accounts have been prepared on the basis that the Council is a going concern and covers the period for at least the next 12 months following the approval of the financial statements to 31 March 2026. The concept of a going concern assumes that the Council's functions and services will continue to operate for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate and confirm that, as local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis of accounting. In accordance with the CIPFA Code of Practice on Local Authority Accounting (2023/24), the Council is required to prepare its annual accounts on a going concern basis unless informed by the relevant national body of an intention of dissolution without transfer of services or function to another entity. There has been no such notification.

On 28 February 2024 East Renfrewshire Council approved an updated Financial Planning report covering the period 2024 to 2030. At the same meeting a balanced budget was agreed for 2024/25, through the adoption of savings measures, the utilisation of fiscal flexibilities and a Council Tax freeze for which funding was received from the Scottish Government.

The Council's uncommitted general fund balance at 31 March 2024 is £7.302m (2.3% of annual revenue budget). Our policy is to hold a minimum of around 2% with an aim of 4%. Should additional cost pressures in 2024/25 exceed the remaining uncommitted general fund balance, the Council would consider a range of options as set out below, however it is anticipated that the general fund balance will remain within policy.

The Council has a high level of balances of cash short term deposits, totalling £25.5m as at 31 March 2024. The Council's cashflow is monitored daily by management and the Council does not forecast any cashflow shortage through to 30 September 2025.

The Council continues to regularly monitor its financial position, providing regular updates to elected members through Cabinet reports. Any new spending pressures that cannot be accommodated within the agreed budget would be referred to full Council. Options for addressing any such budget gap would include consideration of restrictions on expenditure, revisions to service delivery or service standards, additional savings measures or reprioritisation of earmarked reserves and balances. Officers and members continue to liaise with COSLA and the Scottish Government, including the fiscal framework, in order to secure sustainable funding for local government in future.



## **Notes to the Accounts (cont'd)**

### **Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature within three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

### **Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts.

### **Charges to Revenue for Non-Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.



## **Notes to the Accounts (cont'd)**

### **Employee Benefits**

#### **Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries and paid annual leave, and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

#### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. In this respect East Renfrewshire have treated Strain on the Pension Fund payments as termination benefits.

#### **Post-Employment Benefits**

Employees of the Council are members of two separate pension schemes:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government.
- The Local Government Pension Scheme, administered by Glasgow City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Council.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

#### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.80% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value

The change in the net pension liability is analysed into the following components:

- Service cost comprising:



## **Notes to the Accounts (cont'd)**

**Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

**Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs

**Gains/losses on settlements** - the decrease in liabilities as a result of the Council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 40) - credited to the Surplus on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.

**Net interest on the net defined benefit liability**, i.e. net interest expenses for the council. The change during the period is the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

**The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. A negative balance that may arise on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Pension Net-Asset Recognition**

Where the Council's share of the Local Government Pension Scheme is an overall asset position, reflecting that its share of the Funds' assets exceeds the present value of its liabilities to members, this is accounted for in line with the requirements of IAS 19 and IFRIC 14. Specifically, the asset recognised by the Council is limited to the extent to which the Council can recover the benefit of the asset through refunds or reduced contributions. This is referred to as an "asset ceiling". More information is provided in note 40 to the accounts.

### **Unfunded Pension Liabilities**

In addition to normal scheme pension arrangements, certain employees also accrue benefits under unfunded pension arrangements. These unfunded pension liabilities are provided for in the Balance





## **Notes to the Accounts (cont'd)**

Sheet and disclosed separately when there is an overall net pension asset held by the Council. Reflecting the fact that there are no assets held to fund these and future payments are met through costs to the Council annually.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

### **Common Good & Trusts**

The Council administers a Common Good Fund. As part of the management agreements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to those assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the assets. The Council remains responsible for all costs and any income relating to the assets and is entitled to the use of the assets. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet and the associated capital accounting entries are reflected in the Common Good Fund. The Common Good Fund shares the same accounting policies for valuation and depreciation with the Council. For assets held within the council's balance sheet that are subsequently identified as common good, the following principles will be followed :

1. With respect to properties determined to be wholly common good (both land and buildings thereon) then these will be transferred to the common good fund.
2. For assets where common good land only forms part of the site, i.e. where the common good land is effectively inseparable from the larger council subjects, then the common good land element will be shown at nil value.
3. For those council buildings occupying wholly common good land that is included within the common good fund. The building element, unless itself common good, will be retained as part of the council's assets

In addition, the Council also administers a number of trusts, details of which are listed within the Group accounts section of this document.

### **Events after the Balance Sheet date**

Events after the Balance Sheet date are those events that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:-

- Adjusting events – those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- Non-adjusting events – those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted

Events taking place after the date of authorisation for issue are not reflected in the Statements.

### **Financial Instruments**

#### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and



## **Notes to the Accounts (cont'd)**

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

For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are all therefore classified as amortised cost. In previous years these assets, although still recorded as amortised costs, were classed as loans and receivables.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

### **Expected Credit Loss Model**

The Council recognises expected credit losses on its financial assets held at amortised cost with the exception of deposits with Central Government and other Local Authorities. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

### **Fair Value Measurement**

Where the Council values its financial assets or liabilities at fair value it uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured are categorised within the fair value hierarchy, as follows:-

**Level 1** - quoted prices (unadjusted) in active markets for identified assets or liabilities that the Council can access at the measurement date.



## **Notes to the Accounts (cont'd)**

**Level 2** - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For example, PWLB loans, fixed or variable rate deposits (less than one year).

**Level 3** - unobservable inputs for the asset or liability, e.g. PFI leases.

### **Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants which fund capital expenditure of the Council) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants & Receipts Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure or the General Fund, where the grant or contribution funds third party capital projects.

### **Business Improvement Districts**

The Council is the billing authority for the Clarkston Business Improvement District, Giffnock Business Improvement District and Barrhead Business Improvement District. These are managed by an umbrella group led by the East Renfrewshire Chamber of Commerce and local businesses, who aim to promote and improve the respective areas for businesses and residents alike through publicised projects and events.

### **Heritage Assets**

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below.

### **Statues**

Six statues created by 19th century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequeathed to the Council and are reported in the Balance Sheet at insurance valuation which is based on market value, as at April 2024.



## **Notes to the Accounts (cont'd)**

### **Civic Regalia**

The chains of office used by the Provost and their partner, where relevant, are collectively known as Civic Regalia and are symbols of the Council of the Civic Office which the Provost holds.

There are 5 chains held in total at the Council's Headquarters. They are reported in the Balance Sheet at insurance valuation which is based on market value as at April 2024.

### **Number Plate**

The Council owns a private registration plate (HS 0) which is on the car which the Council uses for civic duties. The number plate is reported on the Balance Sheet at market value, as at April 2024, provided by CarReg, one of the leading suppliers of number plates in Britain.

There are no depreciation charges on the heritage assets as it is considered that they will have indeterminate lives and high residual value.

### **Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Council cannot be determined by reference to an active market. The depreciable amount of any intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

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

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures requiring it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

### **Inventories**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned under either the First in First out (FIFO) or weighted average costing formulas.



## **Notes to the Accounts (cont'd)**

### **Long Term Contracts**

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

### **Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

### **Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Land & Building and Plant & Equipment costing less than £10k are not treated as fixed assets. These de-minimis levels do not apply were certain categories of these assets are grouped together and form part of the approved capital programme.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)



## **Notes to the Accounts (cont'd)**

- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Assets included in the Balance Sheet at current value are revalued annually.

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is charged on a straight-line basis over the useful life of the assets (as advised by a suitably qualified officer). No depreciation is charged in the year of acquisition but a full year's depreciation is charged in the year of disposal.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

### **Disposals and Non-Current Assets Held for Sale**

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.





## **Notes to the Accounts (cont'd)**

### **Private Finance Initiative (PFI) and Similar Contracts**

East Renfrewshire Council operates 5 PFI/PPP and similar projects. Please see Note 36 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to these contractors. As the Council is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an average interest charge of 7.17% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

### **Provisions, Contingent Liabilities and Contingent Assets Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.



## **Notes to the Accounts (cont'd)**

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

### **Reserves**

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from His Majesty's Revenue and Customs. VAT receivable is excluded from income.



## Notes to the Accounts (cont'd)

### 2. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and Rent) payers how the funding available to the Council (i.e. Government Grants, Rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

Net Expenditure Chargeable to the General Fund and HRA Balances	2022/23 Adjustments Between Funding & Accounting Basis (See Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	2023/24 Adjustments Between Funding & Accounting Basis (See Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000	£'000		£'000	£'000	£'000
153,052	10,685	163,737	Education	167,203	17,999	185,202
62,932	5,071	68,003	HSCP - Provision of Services	67,333	496	67,829
25,775	10,842	36,617	Environment	24,955	4,921	29,876
7,381	1,325	8,706	Business Operations & Partnerships	10,500	(68)	10,432
(834)	1,122	288	Chief Executive's Office	(1,863)	2,205	342
(4,365)	10,690	6,325	Other Expenditure & Income	5,291	2,905	8,196
2,819	591	3,410	Support Services – Chief Executive's Office	2,734	(80)	2,654
8,732	4,427	13,159	Support Services – Business Ops & P'ships	9,707	3,288	12,995
1,127	337	1,464	Support Services – Environment	1,481	(18)	1,463
<b>256,619</b>	<b>45,090</b>	<b>301,709</b>	<b>Net Cost of General Fund Services</b>	<b>287,341</b>	<b>31,648</b>	<b>318,989</b>
232	5,013	5,245	HRA	300	1,071	1,371
<b>256,851</b>	<b>50,103</b>	<b>306,954</b>	<b>Cost of Services</b>	<b>287,641</b>	<b>32,719</b>	<b>320,360</b>
(868)	378	(490)	Other operating expenditure	(890)	(5,771)	(6,661)
8,422	1,147	9,569	Financing and investment income and expenditure	9,200	(7,529)	1,671
(270,261)	(18,564)	(288,825)	Taxation and non-specific grant income	(285,457)	(18,413)	(303,870)
<b>(5,856)</b>	<b>33,064</b>	<b>27,208</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>10,494</b>	<b>1,006</b>	<b>11,500</b>
(48,056)			Opening General Fund and HRA Balance	(53,912)		
(5,856)			(Surplus) / Deficit on General Fund and HRA Balance in Year	10,494		
<b>(53,912)</b>			<b>Closing General Fund and HRA Balance*</b>	<b>(43,418)</b>		

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



## Notes to the Accounts (cont'd)

### 3. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

This note provides an analysis between the General Fund (surplus)/deficit and the Comprehensive Income and Expenditure Statement (surplus)/deficit on the Provision of Services. Explanations of the adjustments shown are provided after the table below.

2023/24	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
Education	23,660	(311)	(5,350)	17,999
HSCP – Provision of Services	793	(232)	(65)	496
Environment	6,727	(154)	(1,652)	4,921
Business Operations & Partnerships	(11)	(57)	-	(68)
Chief Executive's Office	-	1	2,204	2,205
Other Expenditure & Income	-	1,780	1,125	2,905
Support Services – Chief Executive's Office	-	(28)	(52)	(80)
Support Services – Business Ops & P'ships	3,312	(67)	43	3,288
Support Services – Environment	-	(18)	-	(18)
<b>Net Cost of General Fund Services</b>	<b>34,481</b>	<b>914</b>	<b>(3,747)</b>	<b>31,648</b>
HRA	6,190	(45)	(5,074)	1,071
<b>Cost of Services</b>	<b>40,671</b>	<b>869</b>	<b>(8,821)</b>	<b>32,719</b>
Other Operating Expenditure	(5,771)	-	-	(5,771)
Financing & Investment Income & Expenditure	-	(5,419)	(2,110)	(7,529)
Taxation & Non-Specific Grant Income	(18,413)	-	-	(18,413)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>16,487</b>	<b>(4,550)</b>	<b>(10,931)</b>	<b>1,006</b>

2022/23	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
Education	6,454	6,578	(2,347)	10,685
HSCP – Provision of Services	100	4,875	96	5,071
Environment	4,950	3,174	2,718	10,842
Business Operations & Partnerships	80	1,201	44	1,325
Chief Executive's Office	1	-	1,121	1,122
Other Expenditure & Income	-	73	10,617	10,690
Support Services – Chief Executive's Office	-	585	6	591
Support Services – Business Ops & P'ships	3,117	1,330	(20)	4,427
Support Services – Environment	-	335	2	337
<b>Net Cost of General Fund Services</b>	<b>14,702</b>	<b>18,151</b>	<b>12,237</b>	<b>45,090</b>
HRA	8,477	926	(4,390)	5,013
<b>Cost of Services</b>	<b>23,179</b>	<b>19,077</b>	<b>7,847</b>	<b>50,103</b>
Other Operating Expenditure	378	-	-	378
Financing & Investment Income & Expenditure	-	1,615	(468)	1,147
Taxation & Non-Specific Grant Income	(18,564)	-	-	(18,564)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,993</b>	<b>20,692</b>	<b>7,379</b>	<b>33,064</b>



## **Notes to the Accounts (cont'd)**

### **Adjustments for Capital Purposes**

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

### **Net charge for the Pensions Adjustments**

Net charge for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the Consolidated Income and Expenditure Statement.

### **Other Differences**

This column records other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute in the service lines, and for:-

- **Financing and investment income and expenditure** - the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts along with other loans fund adjustments.

### **4. ACCOUNTANCY STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED**

The code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2024/25 code:-

- IFRS 16 Leases issued in January 2016
- IFRS 16 – Lease liability in a Sale and Leaseback issued in September 2022
- IAS 1 - Classification of Liabilities as Current or Non-current
- IAS 1 – Non-current liabilities with Covenants issued in October 2022
- IAS 12 – International Tax Reform: Pillar Two Model Rules issued in May 2023
- IAS 7 and IFRS 7 – Supplier Finance Arrangements issued in May 2023

IFRS 16 is a new standard that is due to be implemented for local government bodies from 1<sup>st</sup> April 2024 for the 2024/25 accounts publication and the Council will fully apply the standard from this date. The objective of IFRS 16 is to report information that faithfully represents lease transactions and provides a basis for users of the financial statements to assess the amount, timing and uncertainty of cashflows arising from leases. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets & liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a liability representing its obligation to make lease payments.



## Notes to the Accounts (cont'd)

The Council is not able to quantify the impact of IFRS 16 at the date of approval of these accounts as it continues to engage external support to identify and review all lease arrangements against the requirements of IFRS 16, an exercise which until finalised could result in material changes to the potential impact estimated at the date of these financial statements. On this basis no quantification of the potential impact has been provided at this stage.

No other changes to standards are expected to materially impact the council's annual accounts.

### 5. EXPENDITURE AND INCOME ANALYSED BY SERVICE

The Council's expenditure and income, segmented in line with the Council's Directorate and reporting structure, is analysed as follows:

#### 2023/24

Expenditure/Income	Education	HSCP	Environment	Business Operations & P'ships	Chief Executive's Office	Other Expenditure & Income	Support Services	Housing Revenue Account	Costs not included in a service	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>										
Employee expenses	132,836	31,430	18,153	7,329	29	1,780	11,430	5,375	(5,419)	<b>202,943</b>
Other services expenses	47,215	62,030	16,660	16,923	597	9,529	3,026	4,976	-	<b>160,956</b>
Depreciation, amortisation, impairment	23,660	793	6,727	(11)	-	-	3,312	6,190	-	<b>40,671</b>
Interest payments	-	-	-	-	-	-	-	-	9,490	<b>9,490</b>
Gain on the disposal of assets	-	-	-	-	-	-	-	-	(5,771)	<b>(5,771)</b>
<b>Total expenditure</b>	<b>203,711</b>	<b>94,253</b>	<b>41,540</b>	<b>24,241</b>	<b>626</b>	<b>11,309</b>	<b>17,768</b>	<b>16,541</b>	<b>(1,700)</b>	<b>408,289</b>
<b>Income</b>										
Fees, charges and other service income	(4,878)	(25,167)	(7,842)	(1,636)	(284)	(3,113)	(593)	(15,170)	(890)	<b>(59,573)</b>
Interest and investment income	-	-	-	-	-	-	-	-	(2,400)	<b>(2,400)</b>
Income from council tax	-	-	-	-	-	-	-	-	(62,824)	<b>(62,824)</b>
Government grants and contributions (Note 32)	(13,631)	(1,257)	(3,822)	(12,173)	-	-	(63)	-	(241,046)	<b>(271,992)</b>
<b>Total income</b>	<b>(18,509)</b>	<b>(26,424)</b>	<b>(11,664)</b>	<b>(13,809)</b>	<b>(284)</b>	<b>(3,113)</b>	<b>(656)</b>	<b>(15,170)</b>	<b>(307,160)</b>	<b>(396,789)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>185,202</b>	<b>67,829</b>	<b>29,876</b>	<b>10,432</b>	<b>342</b>	<b>8,196</b>	<b>17,112</b>	<b>1,371</b>	<b>(308,860)</b>	<b>11,500</b>

#### 2022/23

Expenditure/Income	Education	HSCP	Environment	Business Operations & P'ships	Chief Executive's Office	Other Expenditure & Income	Support Services	Housing Revenue Account	Costs not included in a service	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Expenditure</b>										
Employee expenses	132,614	35,580	20,699	8,260	26	73	13,672	5,126	1,615	<b>217,665</b>
Other services expenses	43,752	63,742	22,359	14,736	534	6,361	2,347	5,666	-	<b>159,497</b>
Depreciation, amortisation, impairment	6,454	100	4,950	80	1	-	3,117	8,477	-	<b>23,179</b>
Interest payments	-	-	-	-	-	-	-	-	9,861	<b>9,861</b>
Gain on the disposal of assets	-	-	-	-	-	-	-	-	378	<b>378</b>
<b>Total expenditure</b>	<b>182,820</b>	<b>99,422</b>	<b>48,008</b>	<b>23,076</b>	<b>561</b>	<b>6,434</b>	<b>19,136</b>	<b>19,269</b>	<b>11,854</b>	<b>410,580</b>
<b>Income</b>										
Fees, charges and other service income	(3,118)	(26,955)	(7,557)	(2,280)	(273)	(109)	(1,103)	(13,897)	(868)	<b>(56,160)</b>
Interest and investment income	-	-	-	-	-	-	-	-	(1,907)	<b>(1,907)</b>
Income from council tax	-	-	-	-	-	-	-	-	(58,611)	<b>(58,611)</b>
Government grants and contributions (Note 32)	(15,965)	(4,464)	(3,834)	(12,090)	-	-	-	(127)	(230,214)	<b>(266,694)</b>
<b>Total income</b>	<b>(19,083)</b>	<b>(31,419)</b>	<b>(11,391)</b>	<b>(14,370)</b>	<b>(273)</b>	<b>(109)</b>	<b>(1,103)</b>	<b>(14,024)</b>	<b>(291,600)</b>	<b>(383,372)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>163,737</b>	<b>68,003</b>	<b>36,617</b>	<b>8,706</b>	<b>288</b>	<b>6,325</b>	<b>18,033</b>	<b>5,245</b>	<b>(279,746)</b>	<b>27,208</b>





## Notes to the Accounts (cont'd)

### 6. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The Council has entered into 5 Private Financial Initiatives/Public Private Partnership and similar contracts for the provision of educational buildings, the construction of a new road and waste recycling plant. The Council has considered the tests under IFRIC 12 and concluded that these are service concession arrangements. With the exception of the waste recycling plant, where the Council has an 11% share of the contract, the Council is deemed to control the services provided under these contracts, applies the accounting policies as stated in note 1 and recognises their net book value in note 15. This arrangement includes the Roads PFI contract where East Renfrewshire Council acts as a lead authority despite only recognising 26.67% of the contract value in the accounts. Further information, including a breakdown of the individual contracts, can be obtained from note 36.

### 7. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ Assumptions
Valuation of Property	<p>The valuation of the council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to a number of factors, such as ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards, the remaining useful economic lives of the assets. Given the material nature of the council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the council's assets at 31 March 2024 is outlined and broken down by asset category at note 15.</p> <p>In particular, additional consideration continues to be given to the effects of the current economic climate on the council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from a wide range of Scottish local authorities, private practice surveyors, the District Valuers Office, the Association of Chief Estate Surveyors (ACES) and the Royal Institute of Chartered Surveyors (RICS).</p>	<p>The value of all council property, plant and equipment is £848.952m. The impact of a 5% change in valuation would be a total of £42.448m. This would either result in an increase or decrease in the council's revaluation reserve or an additional impairment charge. There would be no impact on the council's general fund. Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually.</p>



**Notes to the Accounts (cont'd)**

	<p><b>2023/24 revaluations</b></p> <p>In 2023/24, valuations were undertaken on all council assets. The asset valuations were based on a depreciated replacement cost (DRC) basis and resulted in a net upwards revaluation of assets of £81.285m (10% from previous revaluation). A valuation movement of £10.593m was credited to the Comprehensive Income and Expenditure Account. The changes in valuation in assets in 2023/24, compared to 2022/23, represent updated information around the assets since the most recent full valuation.</p> <p>The council has also continued to assess the valuation of its asset base subsequent to the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date.</p>	
<p>Net Pension Asset</p>	<p>There are three sources of estimation that could materially impact the valuation of the Council's net pension asset recognition:</p> <ol style="list-style-type: none"> <li>1. Pension Liability estimation. This is dependent on complex judgements, relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates.</li> <li>2. Pension Asset. This is dependent on the expected returns on pension fund assets, and the estimated value at the balance sheet date, which for some level 2 and 3 assets, in particular, requires significant judgement in determining.</li> <li>3. Pension Asset Ceiling. Within the Pension Asset Ceiling is an estimation of future contributions, future service costs and the period over which the asset ceiling is calculated.</li> </ol>	<ol style="list-style-type: none"> <li>1. Pension Liability. The sensitivities relating to the Pension Liability estimate are set out in Note 40.</li> <li>2. Pension Asset. The Gross Value of Assets held on behalf of the Council is £743.161m, a 1% increase would result in an increase in Pension Assets of £7.43m.</li> <li>3. Pension Asset Ceiling. The net asset arising from the Council's involvement in the defined benefit scheme totals £178.626m at 31 March 2024. This has been limited to £nil in line with the accounting requirements of IFRIC 14 to limit the recognition of a pension asset to the extent to which the Council can recover the benefits through either refunds or reduced contributions.</li> </ol> <p>As the Council is not able to withdraw from the scheme or recover funds directly, the asset is therefore limited to the forecast reductions in contributions as compared to the forecast future service costs.</p> <p>As a scheduled body of Strathclyde Pension Fund, this calculation has been performed on a perpetuity basis, recognising that the Council is expected to remain in the scheme indefinitely. The unfunded obligations of £16,886k are shown on the balance sheet.</p> <p>The period over which the asset ceiling is calculated is 76.9 years for primary contributions and 12.8 years for secondary contributions which are negative. A key factor in this approach is the assessment over the extent to which contributions relate to past or future</p>



## Notes to the Accounts (cont'd)

		service costs. In particular, should the period over which negative secondary contributions are calculated change to align with primary contributions, then this would materially increase the level of the asset ceiling for the period.
Arrears	At 31 March 2024, the Council had a sundry debtor balance of £2.64m, Council Tax Debtors of £15.93m and Non Domestic Rate Debtors of £4.14m. A review of significant balances suggested that an impairment of doubtful debts of 51.76% / £1.4m was appropriate for sundry debtors and provisions of 90.1% / £14.35m and 84.34% / £3.5m were made for Council Tax and Non Domestic Rates respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, an increase in bad debt of 10% would require an additional £0.14m to be set aside for sundry debt as an allowance and £1.44m and £0.35m for Council Tax and Non Domestic Rate debtors respectively

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

### 8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – ITEMS OF INCOME AND EXPENSE

The following items of income and expenditure are shown net in the Comprehensive Income and Expenditure Account.

<b>Disposal of property, plant and equipment</b>	<b>£000</b>
Net Book Value of Assets	6,580
Sale Proceeds	(12,351)
	<u>(5,771)</u>

### 9. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 12 June 2024. Events taking place after this date are not reflected in the Financial Statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Subsequent to the year end the following events occurred:

#### **Virgin Media Limited v NTL Pension Trustees II Limited**

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.



## Notes to the Accounts (cont'd)

### 10. MOVEMENT IN RESERVES STATEMENT – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements can be traced through Note 26.

2023/24	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Capital Grants & Receipts Unapplied £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(27,986)	(2,492)					30,478
Amortisation of intangible assets (Note 18)	(58)						58
Difference between fair value and historic cost depreciation	(6,437)	(3,698)					10,135
Capital grants and contributions applied (Note 34)	13,646	1,212	3,555				(18,413)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8)	(1,780)	(4,800)	147				6,433
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	9,509	3,290	(3,555)				(9,244)
Adjustment to the statutory repayment of debt for service concession arrangements – permitted flexibility	(2,704)						2,704
Capital expenditure charged against the General Fund and HRA balances	799						(799)
Voluntary provision for repayment of debt (Note 26)	108						(108)
<b>Adjustments primarily involving the Capital Reserve:</b>							
Use of the Capital Reserve to finance new capital expenditure							
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied Account:</b>							
Use of Capital receipts initially transferred to grants & receipts unapplied to fund Covid-19 pressures							
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 26)	12						(12)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	4,239	311					(4,550)
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 26)	870	(6)					(864)
<b>Total Adjustments (see MIRS)</b>	<b>(9,782)</b>	<b>(6,183)</b>	<b>147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,818</b>

**Notes to the Accounts (cont'd)**

2022/23	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Capital Grants & Receipts Unapplied £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(12,014)	(5,258)					17,272
Amortisation of intangible assets (Note 18)	(100)						100
Difference between fair value and historic cost depreciation	(2,588)	(3,219)					5,807
Capital grants and contributions applied (Note 34)	12,976	3,350	2,238				(18,564)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8)	(497)	(66)	185				378
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	11,032	2,967	(2,238)				(11,761)
Adjustment to the statutory repayment of debt for service concession arrangements – permitted flexibility	(14,812)						14,812
Capital expenditure charged against the General Fund and HRA balances	(2,563)	3					2,560
Voluntary provision for repayment of debt (Note 26)	108						(108)
<b>Adjustments primarily involving the Capital Reserve:</b>							
Use of the Capital Reserve to finance new capital expenditure							
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied Account:</b>							
Use of Capital receipts initially transferred to grants & receipts unapplied to fund Covid-19 pressures			(2,628)	2,628			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 26)	11						(11)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	(19,687)	(1,005)					20,692
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 26)	(1,596)	(1)					1,597
<b>Total Adjustments (see MIRS)</b>	<b>(29,730)</b>	<b>(3,229)</b>	<b>(2,443)</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>32,774</b>

**Notes to the Accounts (cont'd)****11. MOVEMENT IN RESERVES STATEMENT – TRANSFER TO/FROM EARMARKED RESERVES**

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2023/24.

	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000	Transfers Out 2023/24 £000	Transfers In 2023/24 £000	Balance at 31 March 2024 £000
<b>Non-earmarked Reserve</b>	<b>(11,772)</b>	<b>10,934</b>	<b>(5,820)</b>	<b>(6,658)</b>	<b>3,967</b>	<b>(4,611)</b>	<b>(7,302)</b>
Equalisation Reserve	(2,906)	-	(95)	(3,001)	-	(188)	(3,189)
Modernisation Fund	(4,616)	1,159	(2,103)	(5,560)	1,076	(2,278)	(6,762)
Unspent Grants	(4,852)	4,852	(5,186)	(5,186)	5,186	(2,284)	(2,284)
Unspent Covid-19 Grants	(14,085)	5,523	-	(8,562)	6,794	-	(1,768)
Whitelee Wind Farm	(912)	-	(147)	(1,059)	-	(90)	(1,149)
Commuted Sums	(2,457)	2,457	(62)	(62)	62	(3,784)	(3,784)
Devolved School Management	(4,435)	1,466	(1,329)	(4,298)	1,872	(1,347)	(3,773)
Feasibility Fund	(154)	21	(103)	(236)	-	(212)	(448)
Get to Zero Fund	-	20	(400)	(380)	45	(219)	(554)
Service Concessions Flexibility	-	-	(14,812)	(14,812)	10,228	(2,704)	(7,288)
Workforce Restructuring Fund	-	-	(1,500)	(1,500)	750	(1,075)	(1,825)
Employee Wellbeing & Development Fund	-	-	(400)	(400)	-	(620)	(1,020)
Community Capacity Building Fund	-	-	(400)	(400)	-	(220)	(620)
<b>General Fund Total</b>	<b>(46,189)</b>	<b>26,432</b>	<b>(32,357)</b>	<b>(52,114)</b>	<b>29,980</b>	<b>(19,632)</b>	<b>(41,766)</b>
HRA	(1,867)	69	-	(1,798)	146	-	(1,652)
Capital Reserve	(2,671)	2,238	(4,969)	(5,402)	3,555	(17,030)	(18,877)
Capital Grants & Receipts unapplied account	(2,628)	2,628	-	-	-	-	-
Repairs and Renewal Fund	(3,647)	1,936	(1,500)	(3,211)	803	(2,042)	(4,450)
Insurance Fund	(1,903)	-	(43)	(1,946)	-	(98)	(2,044)
<b>Total</b>	<b>(58,905)</b>	<b>33,303</b>	<b>(38,869)</b>	<b>(64,471)</b>	<b>34,484</b>	<b>(38,802)</b>	<b>(68,789)</b>



**Notes to the Accounts (cont'd)****12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
(Gain)/Loss on disposal of Fixed Asset (See Note 8)	(5,771)	378
Rental Income – operating lease over property, plant and equipment	(890)	(868)
	<b><u>(6,661)</u></b>	<b><u>(490)</u></b>

**13. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Interest payable and similar charges	9,490	9,860
Pension interest costs and expected return on pension assets	(5,419)	1,615
Interest receivable and similar income	(2,400)	(1,907)
Expected credit loss	-	1
	<b><u>1,671</u></b>	<b><u>9,569</u></b>

**14. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – TAXATION AND NON SPECIFIC GRANT INCOMES**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Council Tax income	(62,824)	(58,611)
Non domestic rates	(15,695)	(9,574)
Non ring-fenced government grants	(206,938)	(202,076)
Capital grants and contributions	(18,413)	(18,564)
	<b><u>(303,870)</u></b>	<b><u>(288,825)</u></b>

**Notes to the Accounts (cont'd)****15. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2023/24**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation At 1 April 2023</b>	<b>238,499</b>	<b>429,281</b>	<b>41,992</b>	<b>*</b>	<b>3,742</b>	<b>2,433</b>	<b>17,487</b>	<b>171,325</b>	<b>*</b>
Additions	4,836	8,359	6,651	8,102	119	-	18,312	40	46,419
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	34,384	(2,118)	-	-	-	(733)	-	(27,136)	4,397
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1,398	(14,179)	-	-	-	(147)	-	-	(12,928)
Derecognition – disposals	(11,259)	(6,652)	(16,019)	-	-	-	-	-	(33,930)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(60)	-	-	-	-	-	-	(60)
Assets transferred to/from assets under construction	193	23,375	-	350	-	-	(23,918)	-	-
Assets transferred to/from Surplus Assets	205	-	-	-	-	(205)	-	-	-
<b>At 31 March 2024</b>	<b>268,256</b>	<b>438,006</b>	<b>32,624</b>	<b>*</b>	<b>3,861</b>	<b>1,348</b>	<b>11,881</b>	<b>144,229</b>	<b>*</b>
<b>Accumulated Depreciation and Impairment At 1 April 2023</b>	<b>(12,975)</b>	<b>(483)</b>	<b>(31,637)</b>	<b>*</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(381)</b>	<b>*</b>
Depreciation charge	(8,024)	(9,002)	(5,922)	(2,744)	-	-	-	(4,328)	(30,020)
Depreciation written out on disposal	11,259	74	16,017	-	-	-	-	-	27,350
Depreciation written out on revaluation reserve	6,997	7,430	-	-	-	-	-	4,210	18,637
Depreciation written out on surplus or deficit on the provision of service	395	1,940	-	-	-	-	-	-	2,335
<b>At 31 March 2024</b>	<b>(2,348)</b>	<b>(41)</b>	<b>(21,542)</b>	<b>*</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>(499)</b>	<b>*</b>
<b>Net Book Value At 31 March 2024</b>	<b>265,908</b>	<b>437,965</b>	<b>11,082</b>	<b>81,036</b>	<b>3,861</b>	<b>1,349</b>	<b>11,881</b>	<b>143,730</b>	<b>956,812</b>
<b>At 31 March 2023</b>	<b>225,524</b>	<b>428,798</b>	<b>10,355</b>	<b>75,328</b>	<b>3,742</b>	<b>2,434</b>	<b>17,487</b>	<b>170,944</b>	<b>934,612</b>

**Notes to the Accounts (cont'd)****Movements in 2022/23**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation At 1 April 2022</b>	<b>213,878</b>	<b>386,952</b>	<b>55,529</b>	*	<b>3,585</b>	<b>2,788</b>	<b>9,414</b>	<b>154,612</b>	*
Additions	11,538	8,436	4,346	5,050	157	-	11,303	16	40,846
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,087	30,213	-	-	-	(71)	-	16,697	57,926
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,168)	3,909	-	-	-	(246)	-	-	2,495
Derecognition – disposals	(66)	(229)	(17,883)	-	-	(38)	-	-	(18,216)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets transferred to/from assets under construction	3,230	-	-	-	-	-	(3,230)	-	-
Assets transferred to/from Surplus Assets	-	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>238,499</b>	<b>429,281</b>	<b>41,992</b>	*	<b>3,742</b>	<b>2,433</b>	<b>17,487</b>	<b>171,325</b>	*
<b>Accumulated Depreciation and Impairment At 1 April 2022</b>	<b>(12,331)</b>	<b>(2,884)</b>	<b>(43,980)</b>	*	-	<b>(4)</b>	-	<b>(263)</b>	*
Depreciation charge	(7,554)	(7,803)	(5,496)	(2,496)	-	(2)	-	(4,073)	(27,424)
Depreciation written out on disposal	-	(186)	17,839	-	-	-	-	-	17,653
Depreciation written out on revaluation reserve	6,484	8,973	-	-	-	-	-	3,955	19,412
Depreciation written out on surplus or deficit on the provision of service	426	1,417	-	-	-	7	-	-	1,850
<b>At 31 March 2023</b>	<b>(12,975)</b>	<b>(483)</b>	<b>(31,637)</b>	*	-	<b>1</b>	-	<b>(381)</b>	*
<b>Net Book Value At 31 March 2023</b>	<b>225,524</b>	<b>428,798</b>	<b>10,355</b>	<b>75,328</b>	<b>3,742</b>	<b>2,434</b>	<b>17,487</b>	<b>170,944</b>	<b>934,612</b>
<b>At 31 March 2022</b>	<b>201,547</b>	<b>384,068</b>	<b>11,549</b>	<b>72,774</b>	<b>3,585</b>	<b>2,784</b>	<b>9,414</b>	<b>154,349</b>	<b>840,070</b>



## Notes to the Accounts (cont'd)

### Depreciation

Depreciation is provided for on all Property, Plant & Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life e.g. land and assets that are not yet available for use (i.e. assets under construction).

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 30-40 years
- Other Land and Buildings - 10-50 years
- Vehicles, Plant, Furniture & Equipment - 4-20 years.
- Infrastructure – 40 – 60 years
- Community Assets – 1-20 years

### Capital Commitments

At 31 March 2024, the Council was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2024/25 and future years. As approved on 28 February 2024 the 2024/25 Capital Plans for the General Fund totals £58,273k and Housing totals £17,467k. The major commitments include the following projects which have been stated at full project cost:-

	<b>£000</b>
Neilston Learning Campus	29,164
Eastwood Park Leisure – Refurbishment	55,700
Roads Capital Works (Carriageways and Other Infrastructure Assets)	32,500
House Building Programme (Phase 2)	34,013

### Revaluations

The Council carries out an annual revaluation programme, ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on an annual basis. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:-

- the amount which an asset could be exchanged for, between knowledgeable, willing parties, in an arm's length transaction
- the amount that would be paid for the asset in its existing use.
- the amount as determined at an assumed valuation date.

### \*Infrastructure Assets

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to information deficits it is unclear as to whether when an assets component is replaced that the old component has been derecognised to avoid double counting. However, as parts of these assets are rarely replaced before the part has been fully consumed and



## Notes to the Accounts (cont'd)

should therefore be fully depreciated at the date of replacement, the carrying amount to be derecognised in respect of a replaced part of an infrastructure assets is a nil amount.

The Scottish Government in recognising the challenge facing Council's has agreed to permit temporary statutory overrides whilst a permanent solution is developed within the Code. As outlined in the Local Government Finance Circular 09/2022 the Council has adopted statutory overrides for the period 1 April 2021 to 31 March 2025 which permits the council not to report gross cost and accumulated depreciation for Infrastructure assets.

### 16. HERITAGE ASSETS

#### Reconciliation of the carrying value of Heritage Assets held by the Council

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	Total Heritage Assets £000
<b>Cost or valuation At 1 April 2023</b>	94	65	159	126	126	285
<b>Revaluations</b>	5	4	9	24	24	33
<b>At 31 March 2024</b>	99	69	168	150	150	318

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	Total Heritage Assets £000
<b>Cost or valuation At 1 April 2022</b>	94	65	159	101	101	260
<b>Revaluations</b>	-	-	-	25	25	25
<b>At 31 March 2023</b>	94	65	159	126	126	285

### 17. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2019/20 to 2023/24.

**Notes to the Accounts (cont'd)****18. INTANGIBLE ASSETS**

The Council accounts for its software licences as intangible assets, to the extent that they are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All licences are given a finite useful life of less than 5 years, based on assessments of the period that they are expected to be of use to the Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £57k charged to revenue in 2023/24 was charged to the IT Administration cost centre.

The movement on Intangible Asset balances during the year is as follows:

	2023/24 Software Licences £000	2022/23 Software Licences £000
<b>Balance at start of year:</b>		
• Gross carrying amounts	1,824	1,702
• Accumulated amortisation	(1,684)	(1,584)
<b>Net carrying amount at start of year</b>	<b>140</b>	<b>118</b>
Additions:		
• Internal development	-	-
• Purchases	66	122
• Acquired through business combinations	-	-
Derecognition - Disposal	(1,606)	-
Amortisation for the period	(58)	(100)
Depreciation written out on disposal	1,606	-
Derecognition		
• Gross Book Value	-	-
• Accumulated amortisation	-	-
<b>Net carrying amount at end of year</b>	<b>148</b>	<b>140</b>
Comprising:		
• Gross carrying amounts	284	1,824
• Accumulated amortisation	(136)	(1,684)
<b>Balance at end of year:</b>	<b>148</b>	<b>140</b>

**19. ASSETS HELD FOR SALE**

	Current Assets 2023/24 £000	Current Assets 2022/23 £000
<b>Balance outstanding at start of year</b>	-	-
Assets newly classified as held for sale:		
• Property, Plant and Equipment	60	-
• Other assets/liabilities in disposal groups	-	-
Additions	-	-
1Revaluation losses	-	-
Revaluation gains	-	-
Impairment Gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	-	-
Derecognition	-	-
Transfers from non-current to current	-	-
<b>Balance outstanding at year-end:</b>	<b>60</b>	<b>-</b>



**Notes to the Accounts (cont'd)****20. FINANCIAL INSTRUMENTS**

## Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet and reflect the impact of IFRS 9.

	Long-term		Current	
	31 March 2024 £000	31 March 2023 £000	31 March 2024 £000	31 March 2023 £000
<b>Investments</b>				
Loans and receivables	243	247	35,623	68,289
<b>Total investments</b>	<b>243</b>	<b>247</b>	<b>35,623</b>	<b>68,289</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost (including Bank overdraft and long term creditors)	(127,628)	(127,644)	(16)	(1,404)
<b>Total Borrowings</b>	<b>(127,628)</b>	<b>(127,644)</b>	<b>(16)</b>	<b>(1,404)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(62,565)	(68,132)	(5,567)	(5,368)
<b>Total other long term liabilities</b>	<b>(62,565)</b>	<b>(68,132)</b>	<b>(5,567)</b>	<b>(5,368)</b>

The income and expenses recognised in the Comprehensive Income and Expenditure statement in relation to financial instruments are as follows:-

	2023/24 Surplus or Deficit on the Provision of Services £000	2022/23 Surplus or Deficit on the Provision of Services £000
Net gains/losses on:		
• Financial assets or financial liabilities measured at amortised cost	-	-
Interest revenue:		
• Financial assets or financial liabilities measured at amortised cost	5,813	4,199
Fee income:		
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	-
Fee expense:		
• Financial assets or financial liabilities that are not at fair value through profit or loss	220	274
<b>Total net(gain) / losses</b>	<b>6,033</b>	<b>4,473</b>



## Notes to the Accounts (cont'd)

### Fair Values of Assets and Liabilities

Financial liabilities and financial assets including long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2\*), using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, the cost of taking a new loan at PWLB new loan rates applicable to existing loans on the Balance Sheet date (which could be viewed as a proxy for transfer value) has been assessed;
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount

**Market to Model Valuation for Financial Instruments** – As at 31 March the Council held £35,866k financial assets and £127,644k financial liabilities for which Level 2 valuations will apply. All the financial assets are held with Money Market Funds and the Debt Management Office. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1\* valuation is not available. To provide a fair value which provides a comparison to the carrying amount, a financial model valuation provided by Link Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

	31 March 2024		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	127,644	93,043	129,048	103,242

The fair value of the liabilities can sometimes be greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2024) arising from a commitment to pay interest to lenders above current market rates. However at 31 March 2024 they are lower due to the higher interest rate environment this year which impacts the prevailing market rates in calculating fair value.

Link Asset Services have also provided fair value calculations based on premature repayment. This shows the following comparable figures:-

	31 March 2024		31 March 2023	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	127,644	109,421	129,048	121,656



## Notes to the Accounts (cont'd)

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. As part of the Financial Liabilities shown in the two tables above is a PWLB carrying amount of £112.49m, the fair value using New Borrowing Rates would be £79.99m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge. The exit price for the PWLB loans including the additional charges would be £93.06m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £112.49m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31 March 2024		31 March 2023	
	Carrying amount £000	Fair Value £000	Carrying amount £000	Fair Value £000
Deposits: short-term	35,623	35,623	63,290	63,290
Investments: short-term	-	-	4,999	4,999
Investments: long-term	243	243	247	247
	<b>35,866</b>	<b>35,866</b>	<b>68,536</b>	<b>68,536</b>

The fair value of the assets is similar to the carrying amount because the Council's portfolio of loans includes all variable rate loans where the interest rates receivable are similar to the rates available for similar loans at the Balance Sheet date.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

\* Definitions of Levels 1 - 3 can be found within the Accountancy Policies - Note 1.

### 21. DEBTORS

	31 March 2024 £000	31 March 2023 £000
Trade receivables	2,636	3,063
Receivables from other Public sector bodies	12,963	12,292
Prepayments	4,426	3,943
Other accounts	4,531	5,391
<b>Total</b>	<b>24,556</b>	<b>24,689</b>

**Notes to the Accounts (cont'd)****22. DEBTORS FOR LOCAL TAXATION**

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Less than one year	4,114	3,416
Between one to two years	2,267	2,676
Between two and five years	5,402	4,713
More than five years	8,287	7,655
<b>Total</b>	<b>20,070</b>	<b>18,460</b>

The Impairment of receivables for amounts levied in year is 2% and 100% for prior year debt.

**23. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS**

The balance of Cash and Cash Equivalents is made up of the following elements:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Council	17	18
Bank current accounts	10,123	(1,027)
Short-term deposits	25,500	63,290
<b>Total</b>	<b>35,640</b>	<b>62,281</b>

**24. CREDITORS**

	<b>31 March 2024</b>		<b>31 March 2023</b>	
	<b>£000</b>		<b>£000</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
Trade payables	(5,421)	-	(4,207)	-
Payables to other public sector bodies	(11,411)	-	(18,617)	-
Other accounts	(33,014)	(5)	(41,590)	(5)
<b>TOTAL</b>	<b>(49,846)</b>	<b>(5)</b>	<b>(64,414)</b>	<b>(5)</b>

**Notes to the Accounts (cont'd)****25. PROVISIONS**

	Teachers Maternity Pay £000	Housing Rent £000	Short- term provisions £000	SRC Operations £000	Insurance Excess £000	Long-term provisions £000
<b>Balance at 31 March 2023</b>	(232)	(408)	<b>(640)</b>	(26)	(140)	<b>(166)</b>
Additional provisions made in 2023/24	(388)	-	<b>(388)</b>	(1,359)	-	<b>(1,359)</b>
Amounts used in 2023/24	232	204	<b>436</b>	230	-	<b>230</b>
Unused amounts reversed in 2023/24	-	-	-	-	-	-
<b>Balance at 31 March 2024</b>	(388)	(204)	<b>(592)</b>	(1,155)	(140)	<b>(1,295)</b>

The Council has two short term provisions totalling £592k to cover holidays accrued whilst teachers are on maternity (£388k) and reflecting an overpayment of Universal Credit benefits made by the Department of Works & Pensions to the Housing Revenue Account (£204k).

Two long term provisions have been made in the accounts totalling £1,295k. These are made up firstly of £1,155k, a provision in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities which made up the former Strathclyde Region. East Renfrewshire Council's share of liabilities which will materialise in the future is 4.83%. Secondly, there is a provision of £140k to cover insurance excess for outstanding claims made against the Council.

**26. BALANCE SHEET – UNUSABLE RESERVES**

	31 March 2024	31 March 2023
	£000	£000
Revaluation Reserve	(345,829)	(332,897)
Capital Adjustment Account	(355,236)	(366,453)
Financial Instruments Adjustment Account	751	871
Pensions Reserve	16,886	(114,498)
Statutory Accumulating Compensated Absences Account	8,679	9,543
<b>Total Unusable Reserves</b>	<b>(674,749)</b>	<b>(803,434)</b>

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

**Notes to the Accounts (cont'd)**

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2024 £000	31 March 2023 £000
<b>Balance at 1 April</b>	<b>(332,897)</b>	<b>(261,341)</b>
<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:</b>		
Upward revaluation of assets	(70,692)	(81,592)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	47,625	4,229
Difference between fair value depreciation and historical cost depreciation	10,135	5,807
Accumulated gains on assets sold or scrapped	-	-
<b>Balance at 31 March</b>	<b>(345,829)</b>	<b>(332,897)</b>

**Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

Note 10 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>(366,453)</b>	<b>(371,250)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
• Charges for depreciation and impairment of non-current assets	30,478	17,272
• Revaluation losses on Property, Plant and Equipment	-	-
• PPP/PFI lifecycle costs	-	3,054
• Amortisation of intangible assets	58	100
• Revenue expenditure funded from capital under statute	-	-
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	6,580	563
	<b>(329,337)</b>	<b>(350,261)</b>



**Notes to the Accounts (cont'd)**

Capital financing applied in the year:

• Capital Receipts	(12,351)	(185)
• Capital Receipts transferred to Capital Reserve	12,204	-
• Grants applied to Capital Investment	(14,858)	(16,326)
• PPP/PFI Finance lease repayments	(5,368)	(5,211)
• Loan repayments for the financing of capital investment charged against the General Fund and HRA balances	(7,431)	(8,788)
• Capital Funded from Current Revenue/capital reserve	(799)	(494)
• Adjustment to the statutory repayment of debt for service concession arrangements – permitted flexibility	2,704	14,812

**Balance at 31 March****(355,236)****(366,453)****Financial Instruments Adjustment Account**

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period was restricted originally to 20 years. As a result, the balance was fully charged to the General Fund as at the 31 March 2024. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2023/24 £000	2022/23 £000
<b>Balance at 1 April</b>	<b>871</b>	<b>990</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(108)	(108)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(12)	(11)
<b>Balance at 31 March</b>	<b>751</b>	<b>871</b>

**Pensions Reserve**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

**Notes to the Accounts (cont'd)**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
<b>Balance at 1 April</b>	<b>(114,498)</b>	<b>50,357</b>
Actuarial (gains) or losses on pension assets and liabilities	135,934	(185,547)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	11,912	35,423
Employer's pension contributions and direct payments to pensioners payable in the year	(16,462)	(14,731)
<b>Balance at 31 March</b>	<b>16,886</b>	<b>(114,498)</b>

**Short term Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
<b>Balance at 1 April</b>	<b>9,543</b>	<b>7,946</b>
Settlement or cancellation of accrual made at the end of the preceding year	(9,543)	(7,946)
Amounts accrued at the end of the current year	8,679	9,543
<b>Balance at 31 March</b>	<b>8,679</b>	<b>9,543</b>

**27. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Interest received	(3,029)	(1,211)
Interest paid	4,639	4,683
Interest element of finance lease rental and PPP/PFI payment	4,888	5,277

**Notes to the Accounts (cont'd)**

The (surplus) or deficit on the provision of services has been adjusted for the following non-cash movements:

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Depreciation and impairment	(30,478)	(17,272)
Difference between Fair Value and Historical Cost Depreciation	(10,135)	(5,807)
Amortisation of intangible assets	(58)	(100)
(Increase)/decrease in creditors	15,102	(2,079)
Increase/(decrease) in debtors	(3,275)	(4,022)
Increase/(decrease) in inventories	93	(11)
Movement in pension liability	4,550	(20,692)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(6,433)	(378)
Other non-cash items charged to the net surplus or deficit on the provision of services	14,978	16,445
	<b>(15,656)</b>	<b>(33,916)</b>

**28. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Purchase of property, plant and equipment and intangible assets	43,295	42,072
Purchase of short-term and long-term investments	534,185	709,846
Proceeds from the sale of property, plant and equipment and intangible assets	(147)	(185)
Proceeds from short-term and long-term investments	(534,185)	(709,846)
Other receipts from investing activities	(13,093)	(21,682)
<b>Net cash flows from investing activities</b>	<b>30,055</b>	<b>20,205</b>

**Notes to the Accounts (cont'd)****29. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	2023/24 £000	2022/23 £000
<b>Financing activities as at 1 April</b>	<b>(196,270)</b>	<b>(183,306)</b>
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	5,368	5,211
Repayments of short and long-term borrowing	(4,626)	(18,175)
Other payments for financing activities		-
<b>Financing activities as at 31 March</b>	<b>(195,528)</b>	<b>(196,270)</b>

**30. AGENCY SERVICES**

The Council bills and collects domestic water and sewerage charges on behalf of Scottish Water with its Council Tax.

During 2023/24 the Council collected and paid over £20.9m (2022/23 £19.7m) and received £0.287m (2022/23 £0.259m) for providing the service.

In addition, the Council received a number of funding streams from the Scottish Government in 2022/23 to support financial hardship experienced by third parties (individuals and businesses) related to the Covid-19 pandemic. The Council had no discretion over the terms of the funding and could not use it for service delivery. This means that the Council acted as agent only and the grant funding received and paid out are not included in the Council's reserves, Comprehensive Income and Expenditure Statement or Balance Sheet. No such funding streams were received in 2023/24. In some cases during both 2022/23 and 203/24, an administration grant was awarded to the Council to facilitate these payments. This is accounted for as operational income and expenditure and not disclosed here.

	2023/24 £000	2022/23 £000
<b>Covid-19 Grants: where the Council acted as Agent</b>		
Business Support Grants	-	-
£500 Bonus payments	-	-
Self-Isolation	-	153
Family Pandemic	-	-
Alternative Certification Method	-	-
Omicron Support Payments	-	-
Low Income Pandemic Payments	-	-
Child Bridging Payment	-	787

**31. EXTERNAL AUDIT COSTS**

The Accounts Commission for Scotland appointed Ernst & Young LLP as the Council's External Auditor for the financial years 2022/23 to 2026/27.

**Notes to the Accounts (cont'd)**

The Council has incurred the following costs in relation to the audit of the Annual Accounts and certification of grant claims provided by the Council's external auditors:

	2023/24 £000	2022/23 £000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice	332	320
Audit fee in respect of s106 Trust Funds	-	9

**32. GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2023/24 £000	2022/23 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant (incl. Covid-19 Funding of £13k in 2022/23)	206,938	202,076
Non Domestic Rates	15,695	9,574
Capital Grants and Contributions	18,413	18,564
<b>Total</b>	<b>241,046</b>	<b>230,214</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	12,010	11,800
Housing Benefit Administration Grant	157	156
Pupil Equity Fund	1,579	1,865
Unitary Charge – Barrhead High School	1,832	1,832
Education 1140 expansion	8,524	9,835
Funding Teachers Pay	-	850
Education Maintenance Allowance	245	312
Ukraine Education tariff	24	128
Young Persons Guarantee	-	103
Developing the Young Workforce	159	162
Active Schools	244	239
Milk & Healthy snack scheme	221	186
Shared Prosperity Fund	720	-
Criminal Justice Grant	903	808
Long Term Unemployment	-	238
Private Sector Housing Grant	410	526
Paths for all/ Bikeability	37	169
Strathclyde Passenger Transport	582	154
Refugee Funding	451	884
Capital Grants for 3 <sup>rd</sup> party funding	661	910
Miscellaneous Revenue Grants	2,164	2,114
<b>Covid-19 Grants: where the Council acted as Principal</b>		
Self-Isolation - admin	3	13
Business Support - admin	20	-
Mobilisation Fund	-	3,196
<b>Total</b>	<b>271,992</b>	<b>266,694</b>



## Notes to the Accounts (cont'd)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if they are not used as specified. The balances at the year-end are as follows:

<b>Capital Grants Receipts in Advance</b>	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Developer's Contributions/ Commuted Sums	8,901	7,138
Environmental Improvement Grant	1,127	589
Town Centre Grant	-	21
Energy Grant	399	338
Education Grant	33	18
Miscellaneous	65	70
	<b>10,525</b>	<b>8,174</b>

### 33. RELATED PARTIES

The Council is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

#### **Scottish Government**

The Scottish Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax payers). Grants received from government departments are set out in note 32.

#### **Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2023/24 is shown on page 43. The Councillors' code of conduct requires Members to complete a Register of Interest. While the Code requires Elected Members to update their register within 1 month of a change taking place, officers issue members with a reminder twice a year. Member's Registers of Interests are published on the Council website and also held in a central register retained by the Department of Business Operations & Partnerships at Council Headquarters. A Member is required to declare an interest where the objective test is met – that is where a member of the public with knowledge of the relevant facts would reasonably regard the Members' connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision. When this situation arises, and where appropriate, the relevant Members leave the meeting and do not take part in any discussion or decision in relation to that interest.

#### **Officers**

Senior Officers influence the Council's financial and operating policies. The Council's interpretation of the definition of Senior Officers along with the total remuneration paid to them is shown in the Remuneration report (on pages 41 & 42). All officers adhere to the Council's code of conduct which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. Again a register is held by the Department of Business Operations and Partnerships which records all notified declarations of interest, preventing the relevant officer, when appropriate, from taking part in any discussion or decision relating to that interest.





## Notes to the Accounts (cont'd)

### Entities controlled by the Council, Entities that have Joint Ventures with the Council and those entities that are Significantly Influenced by the Council

The Council has an interest in a number of entities. Where this interest is considered to be, at least, significant and material then they are consolidated with the accounts of the Council to form the Group Financial Statements and more information on these entities can be found within the notes to the Group Accounts. The following bodies have been included:

#### Subsidiaries – entities where the Council have more than a 50% influence over

East Renfrewshire Culture & Leisure Trust was incorporated into on 2 July 2015 as a company limited by guarantee to enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities. The Council's contribution to the Trust is mainly made up of a management fee, however it also pays charges for additional services provided to the Council. It is represented on the Board of Directors by 4 (plus 1 union representative) board members. In the current year the following East Renfrewshire Council transactions were made with East Renfrewshire Culture & Leisure Trust:

	2023/24	2022/23
	£m	£m
<b>Contributions made to East Renfrewshire CLT</b>	7.030	6.568
<b>Service Income received from East Renfrewshire CLT</b>	(0.496)	(0.464)
<b>East Renfrewshire CLT balance due (to)/from the Council</b>	0.534	0.092

#### Joint Ventures – where the Council has a joint arrangement whereby the parties have joint control

The East Renfrewshire Integration Joint Board was formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between East Renfrewshire Council and the Greater Glasgow & Clyde Health Board.

The Integration Joint Board receives contributions from its funding partners namely East Renfrewshire Council and Greater Glasgow & Clyde Health Board to fund its services. Expenditure is incurred in the form of charges for services provided to the Joint Board by its partners. They are responsible for planning, commissioning and delivery of services for children, adults and older people, including homelessness and criminal justice services from both partners and also have the planning responsibility for our population's use of large hospital based services along with housing aids & adaptations.

In the current year the following East Renfrewshire Council financial transactions were made with the Integration Joint Board:

	2023/24	2022/23
	£m	£m
<b>Contributions made to East Renfrewshire IJB</b>	92.436	82.246
<b>Commissioning Income received from East Renfrewshire IJB</b>	(96.618)	(96.952)
<b>East Renfrewshire IJB balance due (to)/from the Council</b>	2.145	9.901

#### Associates – where the Council has a significant influence over the entity

East Renfrewshire Council has significant influence over the following bodies, however they do not meet the criteria of Subsidiaries or Joint Ventures. Additional information on these entities, including contributions made to them, can be found within the notes to the Group Accounts:

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- The Renfrewshire Valuation Joint Board



## **Notes to the Accounts (cont'd)**

### **Other Organisations**

The Council has interest in the following bodies in collaboration with other Local Authorities, but are not Associates as the Council either has no significant influence in them or the transactions between them are considered to be immaterial to the understanding of the Accounts, again further information including contributions made to them, can be found in the notes to the Group Accounts:

- Scotland Excel
- Glasgow & the Clyde Valley Strategic Development Planning Authority
- Continuing Education Gateway
- West of Scotland Archaeology Service
- Glasgow City region cabinet
- The SEEMIS Group LLP

**Notes to the Accounts (cont'd)****34. CAPITAL EXPENDITURE AND CAPITAL FINANCING**

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

<b>2023/24</b>	<b>Housing £000</b>	<b>General Fund £000</b>	<b>Total £000</b>
<i>Opening Capital Financing Requirement as at 31 March 2023</i>	46,035	174,839	220,874
<b>Capital investment</b>			
Property, Plant and Equipment	5,053	41,366	46,419
Intangible Assets	-	66	66
Revenue Expenditure Funded from Capital under Statute	-	-	-
<b>Sources of finance</b>			
Capital Reserve	-	-	-
Capital receipts	-	(147)	(147)
Government grants and other contributions	(1,212)	(13,646)	(14,858)
Service Concessions	-	17,516	17,516
<b>Sums set aside from revenue</b>			
Direct revenue contributions	-	(799)	(799)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(5,368)	(5,368)
Loans Fund Principal	(3,290)	(4,141)	(7,431)
<b>Closing Capital Financing Requirement as at 31 March 2024</b>	<b>46,586</b>	<b>209,686</b>	<b>256,272</b>
<b>Explanation of Movements in Year</b>			
Increase in underlying need to borrow	551	34,847	35,398
Assets acquired under lease and lease type arrangements	-	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>551</b>	<b>34,847</b>	<b>35,398</b>
<b>2022/23</b>	<b>Housing £000</b>	<b>General Fund £000</b>	<b>Total £000</b>
<i>Opening Capital Financing Requirement as at 31 March 2022</i>	39,514	168,342	207,856
<b>Capital investment</b>			
Property, Plant and Equipment	12,841	28,005	40,846
Intangible Assets	-	122	122
Revenue Expenditure Funded from Capital under Statute	-	-	-
<b>Sources of finance</b>			
Capital Reserve	-	-	-
Capital receipts	-	(185)	(185)
Government grants and other contributions	(3,350)	(12,976)	(16,326)
<b>Sums set aside from revenue</b>			
Direct revenue contributions	(3)	(491)	(494)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(2,157)	(2,157)
Loans Fund Principal	(2,967)	(5,821)	(8,788)
<b>Closing Capital Financing Requirement as at 31 March 2023</b>	<b>46,035</b>	<b>174,839</b>	<b>220,874</b>
<b>Explanation of Movements in Year</b>			
Increase in underlying need to borrow	6,521	6,497	13,018
Assets acquired under lease and lease type arrangements	-	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>6,521</b>	<b>6,497</b>	<b>13,018</b>

**Notes to the Accounts (cont'd)****35. LEASES****COUNCIL AS A LESSEE****Operating Leases**

The Council has operating leases within land, property, vehicles and equipment, incorporating a mix of lease lives.

The future minimum lease payments due under non-cancellable leases in future years are:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	330	383
Later than one year and not later than five years	557	790
Later than five years	1,322	1,419
	<b>2,209</b>	<b>2,592</b>

The expenditure charged to the HSCP, Business Operations & Partnerships and Environmental lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
Minimum Lease payments	383	378
Contingent Rents	-	-
	<b>383</b>	<b>378</b>

**COUNCIL AS A LESSOR****Operating Leases**

The Council leases out land and property under operating leases for the following purposes:

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable operating leases in the aggregate and for each of the following periods:-

**Notes to the Accounts (cont'd)**

	31 March 2024	31 March 2023
	£000	£000
Not later than one year	996	1,097
Later than one year and not later than five years	2,053	2,100
Later than five years	13,580	12,900
	<b>16,629</b>	<b>16,097</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2023/24 there were no contingent rents received by the Council (2022/23 no contingent rents were received by the Council).

**36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS****(I) Schools PFI Contract**

The Council signed a contract on 20 April 2000 with East Ren Schools Services Ltd to procure the provision of services for the Council under the government's Private Finance Initiative.

The services are the provision of a new Mearns Primary School and an extension to St Ninian's High School. The contract is for a period of 25 years commencing August 2001 and the assets will revert to the Council at the end of the contract period. These assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment Balance in Note 15.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2023	34,481
Additions/Revaluations	(2,488)
Depreciation in Year	(862)
<b>NET BOOK VALUE AT 31 MARCH 2024</b>	<b>31,131</b>

The annual Unitary Charge is a fixed sum of £2.17m. This is offset by a Direct Support Payment from the Scottish Government of £1.25m leaving a net cost to the Council of £0.92m.

The total value of payments over the remainder of the contract before inflation will be £5.19m and the total value of income from the Scottish Government will be £2.92m resulting in a net outstanding undischarged obligation before inflation of £2.27m.

The Gross Unitary Charge is subject to inflation increases less than Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

**Notes to the Accounts (cont'd)****Estimated Cash Value of Payments Due to be Made**

	<b>Liability</b>	<b>Contingent Rent</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	1,207	1,080	204	1,969	4,460
Within 2 to 5 years	1,292	1,710	90	3,258	6,350
Within 6 to 10 years	-	-	-	-	-
<b>ESTIMATED TOTAL</b>	<b>2,499</b>	<b>2,790</b>	<b>294</b>	<b>5,227</b>	<b>10,810</b>

**(II) Roads PFI Contract**

The Council finalised a PFI agreement in conjunction with South Lanarkshire Council and the Scottish Executive to construct the Glasgow Southern Orbital Road and the M77 extension. Some 26.67% of the asset relates to East Renfrewshire Council.

The contract was signed on 30 April 2003 with Connect to construct and thereafter maintain the new roads for a period of 30 years commencing April 2005. At the end of the contract period the roads will revert to the respective authorities. These assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

<b>Movement in Value of ERC Assets</b>	<b>£000</b>
Valuation at 1 April 2023	23,365
Additions/Revaluations	-
Depreciation in Year	-
<b>NET BOOK VALUE AT 31 MARCH 2024</b>	<b>23,365</b>

Payment for the project is made through an Annual Unitary Charge which is made up of a Fixed Availability Element and an Expected Usage Element geared to forecast traffic flow.

Direct support payments from the Scottish Government result in an annual net cost to the Council of £100,000.

The outstanding undischarged net obligation is currently £1.11m.

**Estimated Cash Value of Payments Due to be Made**

	<b>Liability</b>	<b>Contingent Rent</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	1,142	1,457	1,035	1,475	5,109
Within 2 to 5 years	5,370	6,455	3,449	5,943	21,217
Within 6 to 10 years	9,765	8,813	2,205	5,812	26,595
Within 11 to 15 years	2,097	2,335	99	2,325	6,856
<b>ESTIMATED TOTAL</b>	<b>18,374</b>	<b>19,060</b>	<b>6,788</b>	<b>15,555</b>	<b>59,777</b>



**Notes to the Accounts (cont'd)****(III) Schools PPP Project**

On 10 December 2004 the Council signed a further schools PPP contract for the provision of a new Williamwood High School, a new Primary School/Community Inclusive Education Campus for Carlibar and extensions to Mearns Castle High School and Woodfarm High School. The extensions were handed over to the Council in December 2005 and the new schools were handed over on target in July 2006.

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2023	94,253
Additions/Revaluations	(6,387)
Depreciation in Year	(2,356)
<b>NET BOOK VALUE AT 31 MARCH 2024</b>	<b>85,510</b>

The Annual Unitary Charge is a fixed sum of £6.86m and this is offset by a Direct Support Payment from the Scottish Government of £3.95m leaving a net cost to the Council of £2.91m.

The total value of payments over the remainder of the contract before inflation will be £49.74m and the total value of income from the Scottish Government will be £23.66m leaving a net outstanding undischarged obligation of £26.08m.

The Gross Unitary Charge is subject to inflation increases less than the Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

**Estimated Cash Value of Payments Due to be Made**

	<b>Liability</b>	<b>Contingent</b>	<b>Interest</b>	<b>Service</b>	<b>Total</b>
	<b>£000</b>	<b>Rent</b>	<b>£000</b>	<b>Charges</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	2,597	2,653	1,894	4,112	11,256
Within 2 to 5 years	12,749	12,287	5,500	16,791	47,327
Within 6 to 10 years	10,917	8,006	1,233	8,290	28,446
Within 11 to 15 years	-	-	-	-	-
<b>ESTIMATED TOTAL</b>	<b>26,263</b>	<b>22,946</b>	<b>8,627</b>	<b>29,193</b>	<b>87,029</b>

**Notes to the Accounts (cont'd)****(IV) Barrhead High School - Scotland's Schools for the Future NPD Project**

On 21 March 2016 the Council signed a contract for the construction and maintenance of a replacement Barrhead High School to be delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. The new facility was handed over to the Council in August 2017.

The contract is for 25 years from August 2017 and the asset will revert to the Council at the end of the contract period. Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2023	39,622
Additions/Revaluations	(14,012)
Depreciation in Year	(991)
<b>NET BOOK VALUE AT 31 MARCH 2024</b>	<b>24,619</b>

The capital element of the Annual Service Payment will be fully covered by Scottish Government Revenue Funding Support payments.

The Annual Service Payment is a fixed sum of £2.105m and this is offset by Direct Support Payment from the Scottish Government of £1.832m leaving a net cost to the Council of £0.273m.

The total value of payments over the remainder of the contract before inflation will be £38.632m and the total value of income from the Scottish Government will be £34.168m leaving a net outstanding undischarged obligation of £4.464m

The Annual Service Payment is subject to inflation increases less than the Retail Price index but the Scottish Government contribution is fixed and will not increase over the lifetime of the project. This will result in an increasing net annual burden for the Council.

**Estimated Cash Value of Payments Due to be Made**

	<b>Liability</b>	<b>Contingent</b>	<b>Interest</b>	<b>Service</b>	<b>Total</b>
	<b>£000</b>	<b>Rent</b>	<b>£000</b>	<b>Charges</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	547	32	1,214	538	2,331
Within 2 to 5 years	2,466	100	4,470	2,456	9,492
Within 6 to 10 years	3,991	92	4,559	3,628	12,270
Within 11 to 15 years	5,938	435	2,959	3,443	12,775
Within 16 to 20 years	5,469	602	720	2,094	8,885
<b>ESTIMATED TOTAL</b>	<b>18,411</b>	<b>1,261</b>	<b>13,922</b>	<b>12,159</b>	<b>45,753</b>

**Notes to the Accounts (cont'd)****(V) Clyde Valley Waste Recycling Plant**

In January 2020 the Council entered into a 25 year contract for waste recycling which utilises residual waste to obtain thermal gain. North Lanarkshire is the lead authority, with an additional four councils taking part in the project through an Inter Authority Agreement.

The estimated useful life of the asset is 25 years and the member authorities do not have any rights to use the facility beyond this point, should the asset life be extended.

Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2023	2,588
Additions/Revaluations	-
Depreciation in Year	(118)
<b>NET BOOK VALUE AT 31 MARCH 2024</b>	<b>2,470</b>

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts as at 31 March 2024 including an adjustment for inflation and excluding any estimation of availability and performance deductions are as follows:

**Estimated Cash Value of Payments Due to be Made**

	<b>Liability £000</b>	<b>Contingent Rent £000</b>	<b>Interest £000</b>	<b>Service Charge £000</b>	<b>Total £000</b>
Within 1 year	74	37	147	2,378	2,636
Within 2 to 5 years	388	213	542	10,035	11,178
Within 6 to 10 years	281	123	562	14,583	15,549
Within 11 to 15 years	749	524	442	15,859	17,574
Within 16 to 20 years	938	637	213	18,152	19,940
Within 20 to 25 years	155	112	9	2,599	2,875
<b>ESTIMATED TOTAL</b>	<b>2,585</b>	<b>1,646</b>	<b>1,915</b>	<b>63,606</b>	<b>69,752</b>

The estimated cash values of payments due to be made are based on inflation indices ranging from 2%-5%. These rates were the base rates at the beginning of the contract and are applied to the guaranteed minimum tonnage via the ongoing inflationary factor. Future payments could be impacted by actual tonnage and actual rates of inflation.

**Notes to the Accounts (cont'd)****37. IMPAIRMENT LOSSES****Impairment of Assets**

Impairment losses/(reversals) of (£10.593m) were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

	Losses/(Gains)	Reversal of Previous	Net
	£000	(Losses)/Gains £000	Loss/(Reversal) £000
Property, Plant & Equipment and Assets Held for Sale	(12,928)	2,335	(10,593)

**38. TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2023/24 incurring liabilities of £2.887m (£0.458m in 2022/23). This was in respect of 44 officers (12 officers in 2022/23) from across the Council. The Remuneration Report at page 47 provides further details on exit packages.

**39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES**

East Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The 2016 valuation set employer contribution rates at 23.0% from 1 September 2019 until 31 March 2023, although the UK Government has since stated that the rates would continue until 31 March 2024. Member contributions continued at the same rates within a range of 7.2% to 11.9% and are anticipated to deliver a yield of 9.4%.

The Council has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. However, it is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period 1 April 2022 is 23.0% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. In addition £0.37m was paid (2022/23 £0.34m) in respect of added years.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/ Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms were unlawfully discriminating on the grounds of age. Following consultation and an announcement in February 2021



## **Notes to the Accounts (cont'd)**

on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2023, by East Renfrewshire Council was £14.118m, equating to approximately 2.00% of the total contributions made to the scheme and the amount paid during the year ending 31 March 2024 was £17.09m. The total employee's contribution paid into the scheme during the year ending 31 March 2024 was £7.18m

### **40. DEFINED BENEFIT PENSION SCHEMES**

#### **Participation in Pension Schemes**

The post-employment scheme for employees other than teachers is the Local Government Pension Scheme (LGPS), and is administered in the West of Scotland by Glasgow City Council in respect of all local authorities and admitted bodies in the former Strathclyde Area. This is a multi-employer scheme in which it is possible for an employer to identify its share of the assets and liabilities on a consistent and reasonable basis. Employer's liabilities can be evaluated directly by the Actuary at any time on membership data. Individual employer assets have been apportioned to each employer since 2002. Prior to that date, each employer was considered to have the same funding as the whole Fund.

#### **Benefits**

- From 1 April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.
- For the period 1 April 2009 to 31 March 2015 the LGPS was a defined benefit final salary scheme and the pension's accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

#### **Governance**

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including East Renfrewshire Council) are represented at the Strathclyde Pension Fund Representative Forum.
- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.
- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as East Renfrewshire Council, community admission bodies and



## Notes to the Accounts (cont'd)

transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other party. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

### Discretionary Post-retirement Benefits

Discretionary post-retirement benefits on early retirement are an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. There are no pension plan assets built up to meet these pension liabilities.

### Transactions Relating to Post-Employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	<b>Local Government Pension Scheme</b>	
	<b>2023/24 £000</b>	<b>2022/23 £000</b>
<b>Included in net cost of services within Comprehensive Income and Expenditure Statement</b>		
<ul style="list-style-type: none"> <li>• Current service cost</li> <li>• Past service costs (including curtailments)</li> <li>• Effect of settlement</li> <li>• Contributions in respect of unfunded benefits</li> </ul>	16,876	34,979
	1,780	73
	-	-
	(1,325)	(1,244)
<i>Included within Financing and Investment Income and Expenditure</i>		
<ul style="list-style-type: none"> <li>• Net interest cost</li> </ul>	(5,419)	1,615
<b>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>11,912</b>	<b>35,423</b>
<b>Included within Other Comprehensive Income and Expenditure</b>		
<ul style="list-style-type: none"> <li>• Expected return on scheme assets</li> <li>• Actuarial (gains) and losses on changes in demographic assumptions</li> <li>• Actuarial (gains) and losses arising on changes in financial assumptions</li> <li>• Other</li> </ul>	(34,839)	29,399
	(7,809)	(5,419)
	(68,252)	(245,771)
	51,322	36,244
	<b>(47,666)</b>	<b>(150,124)</b>
<b>Movement in Reserves Statement</b>		
<ul style="list-style-type: none"> <li>• Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme</li> <li>• Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services</li> </ul>	16,462	14,731
	(11,912)	(35,423)
<ul style="list-style-type: none"> <li>• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code</li> </ul>	4,550	(20,692)

**Notes to the Accounts (cont'd)****Pensions assets and liabilities required in the Balance Sheet**

The amount included in the Balance Sheet arising from the Council's obligation in respect of its defined benefit plans is per the table below. The net asset arising from the Council's involvement in the defined benefit scheme totals £178.626m at 31 March 2024. However, this has been limited to £nil in line with the accounting requirements of IFRIC 14 to limit the recognition of a pension asset to the extent to which the Council can recover the benefits through either refunds or reduced contributions. As the Council is not able to withdraw from the scheme or recover funds directly, the asset is therefore limited to the forecast reductions in contributions as compared to the forecast future service costs. This has limited the recognition of the pension asset to £nil

Separately the Council has continued to recognise the unfunded element of its pension liabilities as there are no scheme assets to cover the future costs of these liabilities as they are due going forward.

	<b>Local Government Pension Scheme</b>	
	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Present value of the defined benefit obligation	(547,649)	(501,544)
Present value of the unfunded liability accounted for separately	(16,886)	(17,398)
Fair value of plan assets	743,161	679,405
<b>Net (liability)/ asset arising from defined benefit obligation</b>	<b>178,626</b>	<b>160,463</b>

**Reconciliation of the Movements in the Fair Value of Scheme Assets.**

	<b>Local Government Pension Scheme</b>	
	<b>2023/24 £000</b>	<b>2022/23 £000</b>
<b>Opening fair value of scheme assets</b>	<b>679,405</b>	<b>686,759</b>
Effect of Settlement		
Interest income	32,298	18,589
Remeasurement gain/(loss)		
• The return on plan assets, excluding the amount included in the net interest expenses	34,839	(29,399)
• Other	(4,500)	-
The effect of changes in foreign exchange rates		
Contributions from employer	16,462	14,731
Contributions from employees into the scheme	4,815	4,640
Benefits paid	(20,158)	(15,915)
<b>Closing fair value of scheme assets</b>	<b>743,161</b>	<b>679,405</b>



**Notes to the Accounts (cont'd)****Reconciliation of Present Value of the Scheme Liabilities ( including the unfunded element outlined above)****Funded liabilities:  
Local Government  
Pension Scheme**

	<b>2023/24 £000</b>	<b>2022/23 £000</b>
Opening balance at 1 April	<b>(518,942)</b>	<b>(737,116)</b>
Effect of Settlement	-	-
Current service cost	(16,876)	(34,979)
Interest cost	(24,696)	(20,204)
Contributions from scheme participants	(4,815)	(4,640)
Remeasurement gains and (losses)		
• Actuarial gains and (losses) on changes in demographic assumptions	7,809	5,419
• Actuarial gains and (losses) arising on changes in financial assumptions	20,104	291,736
• Other	(46,822)	(36,244)
Past service cost	(1,780)	(73)
Benefits paid	21,483	17,159
<b>Closing balance at 31 March</b>	<b>(564,535)</b>	<b>(518,942)</b>

**Notes to the Accounts (cont'd)**

Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-24				31-Mar-23			
	Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total		Quoted Prices in Active Markets	Prices not quoted in Active Markets	Total	
	£000	£000	£000	%	£000	£000	£000	%
<b>Equity Securities:</b>								
Consumer	34,322	10	34,332	4	30,395	84	30,479	4
Manufacturing	42,817	11	42,828	6	36,907	977	37,884	6
Energy and Utilities	6,740	-	6,740	1	3,401	-	3,401	1
Financial Institutions	21,227	106	21,333	3	14,413	51	14,464	2
Health and Care	19,801	36	19,837	3	24,127	40	24,167	4
Information Technology	25,188	-	25,188	3	23,429	66	23,495	3
Other	-	-	-	-	-	-	-	-
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Private Equity:-</b>								
All	-	177,423	177,423	24	-	166,990	166,990	25
<b>Real Estate:442</b>								
UK Property	-	58,434	58,434	8	-	56,017	56,017	8
Overseas Property	-	-	-	-	-	-	-	-
<b>Investment funds and unit trusts:</b>								
Equities	3,052	253,231	256,283	34	2,927	222,223	225,150	33
Bonds	-	86,690	86,690	12	-	78,353	78,353	11
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	-	296	296	-	-	265	265	-
Infrastructure	-	-	-	-	-	4,363	4,363	1
Other	-	-	-	-	-	1,508	1,508	-
<b>Derivative:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	(1)	(1)	-
Other	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents</b>								
All	1,158	12,619	13,777	2	9,397	3,474	12,871	2
<b>Totals</b>	<b>154,305</b>	<b>588,856</b>	<b>743,161</b>	<b>100</b>	<b>144,996</b>	<b>534,410</b>	<b>679,406</b>	<b>100</b>

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Strathclyde Pension Fund being based on the latest full valuation of the scheme as at 31 March 2023.



## Notes to the Accounts (cont'd)

The principal assumptions used by the actuary have been:-

	<b>Local Government Pension Scheme</b>	
	<b>2023/24</b>	<b>2022/23</b>
Investment returns	9.9%	(1.6%)
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	19.9 years	19.3 years
• Women	22.9 years	22.2 years
Longevity at 65 for future pensioners:		
• Men	20.9 years	20.5 years
• Women	24.8 years	24.2 years
Rate of increase in salaries	3.50%	3.65%
Rate of increase in pensions	2.80%	2.95%
Rate for discounting scheme liabilities	4.80%	4.75%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

<b>Change in assumptions at 31 March 2024:</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000</b>
0.1% decrease in Real Discount Rate	2%	9,811
1 year increase in the member life expectancy	4%	22,581
0.1% increase in the Salary Increase Rate	-	1,370
0.1% increase in the Pension Increase Rate	2%	8,600

### **Asset and Liability Matching (ALM) Strategy**

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range. The Fund invests in equities, bonds, properties and in cash.

### **Impact on the Council's Cash Flow**

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 6.5% following completion of the triennial valuation as at 31 March



## **Notes to the Accounts (cont'd)**

2023. This rate will remain for 2024/25 and 2025/26 before increasing to 17.5%. These rates are a reduction on the 2023/24 rate of 19.3%.

The Fund takes account of national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contribution expected to be made by Council to Strathclyde Pension Fund in the year to 31 March 2025 is £5.174 million.

The weighted average duration of the defined benefit obligation for scheme members is 17.0 years (19.0 years 2022/23).

### **41. CONTINGENT LIABILITIES**

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. In addition, the potential impact of the pension rights awarded in cases with same-sex married couples and civil partnerships, known as the Goodwin case, has been identified. The Pension Fund Actuary estimates the impact is c0.1% of obligations for each admitted body. These potential costs have not been included in these accounts. Further contingent liabilities exist in relation to the Council's share of any potential future claims against the former Strathclyde Regional Council.

In terms of East Renfrewshire Culture and Leisure Trust's admission to the Strathclyde Pension Scheme, the Council has guaranteed to accept liability for any unfunded pension costs should they cease to exist, withdraw from the scheme or become unable to meet any unfunded liability. In addition, funding will be provided to the Trust should their trading activities need support beyond the agreed management fee. The Council has not quantified the possible liability.

### **42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

The Council's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

#### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Scheme of Delegation;



## **Notes to the Accounts (cont'd)**

- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - the Council's overall borrowing;
  - its maximum and minimum exposures to fixed and variable rates;
  - its maximum and minimum exposures to the maturity structure of its debt;
  - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Regulations.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy for 2023/24 including the prudential indicators was approved by Council on 1 March 2023 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2023/24 was set at £345.308m This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £309.855m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 15% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed regularly.

### **Credit Risk**

Credit risk arises from the deposits with banks and financial institutions.

This risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested and the time limits in respect of each financial institution.

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Credit ratings, as follows:-

**Notes to the Accounts (cont'd)**

Financial Asset Category	Criteria	Fitch	Moody's
		Deposits with Bank and Money Market Funds	Short Term: Long Term:

The Council's [Capital Investment Strategy for 2023/24](https://www.eastrenfrewshire.gov.uk/media/8803/Council-Item-15-1-March-2023/pdf/Council_Item_15_-_1_March_2023.pdf?m=638127716600170000) was approved by Council on 1 March 2023 [https://www.eastrenfrewshire.gov.uk/media/8803/Council-Item-15-1-March-2023/pdf/Council\\_Item\\_15\\_-\\_1\\_March\\_2023.pdf?m=638127716600170000](https://www.eastrenfrewshire.gov.uk/media/8803/Council-Item-15-1-March-2023/pdf/Council_Item_15_-_1_March_2023.pdf?m=638127716600170000)

The Council's maximum exposure to credit risk in relation to its investments in banks, £10m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2024 that this was likely to crystallise.

**Amounts Arising from Expected Credit Losses**

At the end of the financial year expected credit losses were calculated on all amortised assets, on a 12 month basis, with the exception of investments in central government and other local authorities. This amount totalled £Nil (2022/23 £798) during the year, the Council did not write off any financial assets.

**Credit Risk Exposure**

The Council has the following exposure to risk at 31 March 2024.

£000s	Credit Risk rating	Gross Carrying Amount (£)	Exposure to Credit Risk (£)
12-month expected credit losses	AAA	22,410,000	-
	AA-	3,090,000	-
	A+	-	-
	A	-	-
Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates)	Less than 3 months and past due date	164,000	-
	Three to five months	219,000	-
	Six months to one year	370,000	-
	More than one year	1,362,000	-

The Council does not generally allow credit for customers, such that as at 31 March 2024 £2.115m of the £2.636m (£2.412m of £3.063m as at 31 March 2023) sundry income debtor balances are past their due date for payment.

No credit limits were exceeded during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.



## Notes to the Accounts (cont'd)

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

	<b>31 March 2024</b>	<b>31 March 2023</b>
	<b>£000</b>	<b>£000</b>
<b>Less than one year</b>	16	377
<b>Between one and two years</b>	16	16
<b>Between two and five years</b>	7,034	5,033
<b>More than five years</b>	120,573	122,590
	<b>127,639</b>	<b>128,016</b>

All trade and other payables are due to be paid in less than one year.

### Market Risk

#### Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the borrowing will fall (no impact on revenue balances)
- investments at variable rates - the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates - the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value, on the Balance Sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.





## Notes to the Accounts (cont'd)

The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	130
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	(193)
Impact on Surplus or Deficit on the Provision of Services	(62)
Share of overall impact debited to the HRA	(19)
Decrease in fair value of fixed rate investment assets	31
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	10,862

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

### **Price Risk**

The Council does not invest in equity shares and consequently is not exposed to losses arising from movement in their price.

### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.



## Housing Revenue Account Income & Expenditure Statement

The Housing Revenue Account's Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rent and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in year, on the basis on which rents are raised is shown in the movement on the Housing Revenue Account Statement.

	HRA Notes	2023/24 £000	2022/23 £000
<b>Income</b>			
Dwelling Rents		(13,663)	(12,790)
Non-dwelling Rents		(190)	(189)
Other Income		(1,317)	(1,045)
<b>Total Income</b>		<b>(15,170)</b>	<b>(14,024)</b>
<b>Expenditure</b>			
Repairs and Maintenance		5,738	5,898
Supervision and Management		4,432	4,786
Depreciation and Impairment on Non-Current Assets		2,492	5,258
Difference between Fair Value and Historical Cost Depreciation		3,698	3,219
Movements in the Impairment of Debtors	4	(71)	(68)
Other expenditure		252	176
<b>Total Expenditure</b>		<b>16,541</b>	<b>19,269</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>1,371</b>	<b>5,245</b>
HRA Services' Share of Corporate and Democratic Core		35	38
<b>Net Cost for HRA Services</b>		<b>1,406</b>	<b>5,283</b>
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
• (Gain) or Loss on Sale of HRA Non-Current Assets		4,800	66
• Interest Payable and Similar Charges		1,842	1,447
• Interest and Investment Income		(52)	(26)
• Pension Interest Cost and Expected Return on Pension Assets		(266)	79
• Rental Income – operating lease over Property, Plant and Equipment		(189)	(201)
• Capital Grants and Contributions Receivable		(1,212)	(3,350)
<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>6,329</b>	<b>3,298</b>

### Movement on the Housing Revenue Account Statement

	HRA Notes	2023/24 £000	2022/23 £000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		6,329	3,298
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(6,183)	(3,229)
Net (Increase) or Decrease Before Transfers to or from Reserves		146	69
(Increase) or Decrease in Year on the HRA		146	69
Balance on the HRA at the end of the Previous Year		(1,798)	(1,867)
<b>Balance on the HRA at the end of the Current Year</b>		<b>(1,652)</b>	<b>(1,798)</b>



## Notes to the Housing Revenue Account

### Housing Revenue Account Disclosures

#### 1. Adjustments between Accounting Basis and Funding Basis under Statute

	2023/24 £000	2022/23 £000
Gain or loss on sale of HRA non-current assets	(4,800)	(66)
Capital expenditure funded by the HRA	-	3
Transfer (to)/from the Capital Adjustment Account:		
• Depreciation	(2,492)	(5,258)
• Difference between Fair Value and Historical cost depreciation	(3,698)	(3,219)
• Capital Grants and Contributions	1,212	3,350
• Repayment of Debt	3,290	2,967
HRA share of contributions to or from the Pensions Reserve	311	(1,005)
Transfer to/from the Statutory Compensated Absences Account	(6)	(1)
	<u>(6,183)</u>	<u>(3,229)</u>

#### 2. Housing Stock

Council's housing stock at 31 March 2024 was 3,136 (3,125 at March 2023) in the following categories:

	2023/24 Number	2022/23 Number
1 Apartment	193	172
2 Apartment	959	968
3 Apartment	1,301	1,301
4 Apartment	593	595
5 Apartment	86	85
6 Apartment	4	4
<b>Total</b>	<u><b>3,136</b></u>	<u><b>3,125</b></u>

#### 3. Rent Arrears

At the year-end rent arrears amounted to £1,664,515 (2022/23: £1,485,795) of which the current rent arrears were £894,595 (2022/23: £850,284) representing 5.4% (2022/23: 6.0%) of gross rent due and former tenant arrears amounted to £769,921 (2022/23: £635,511). In addition, the figure contains £27,607 (2022/23: £25,085) in respect of outstanding Housing Benefit Overpayments.

#### 4. Impairment of Debtors

In the financial year 2023/24, the impairment of debtors for the Housing Revenue Account was decreased by £71,312, resulting in a bad debt provision balance of £1,299,187 (2022/23: £1,227,875).

#### 5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £210,784 (2022/23: £219,200).



## National Non Domestic Rates Account

National Non Domestic Rates (NNDR) income is collected by Councils on behalf of the Scottish Government. The amount of NNDR income distributed to the Council by the Scottish Government is aligned to the amount collected by the Council. The table below details the actual levels of NNDR collected by East Renfrewshire Council, the agreed Provisional Contribution Amount to the national pool and the Distributable amount due to the Council from the national pool.

The Business Rates Incentivisation Scheme (BRIS) is intended to encourage all local authorities to maximise their existing business rates income and also to encourage new businesses to start up. Each local Council that exceeds its calculated local buoyancy target will be able to retain a 50% share of the additional rates income generated, where it can be demonstrated that there is a corresponding increase in rateable value. In accordance with the guidance, the table below describes this element of Non Domestic Rates increase as "income retained by the Council".

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Gross rates levied and the contributions in lieu	22,271	20,163
Less:		
• Reliefs and other deductions	(6,455)	(6,079)
• Payments of interest	-	-
• Write-offs of uncollectable debts and allowance for impairment	(557)	(328)
<b>Net Non-Domestic Rate Income collected</b>	<b>15,259</b>	<b>13,756</b>
Collection adjustment to meet Provisional Contribution Amount	452	655
<b>Contribution to Non Domestic Rate pool</b>	<b>15,711</b>	<b>14,411</b>
Distribution from Non Domestic Rate pool	15,695	9,574
Adjustments for years prior to the pool	-	-
Non-Domestic Rate income retained by Council (BRIS)	-	-
<b>Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14)</b>	<b>15,695</b>	<b>9,574</b>

### Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2023/24 was £0.498 (2022/23 £0.498)

	<b>Number</b>	<b>Rateable Value as at 1 April 2023 £</b>
Shops	579	14,450,275
Offices	388	3,974,550
Hotels, Boarding Houses etc.	11	598,900
Industrial and Freight Transport	153	1,502,070
Subject Miscellaneous	443	19,326,285
Subjects Other	293	3,349,190
<b>Total</b>	<b>1,867</b>	<b>43,201,270</b>



## Council Tax Income Account

Local Councils raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local council area is placed into one of 8 valuation bands (A to H). The local council determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued property (E to H) paying more. The Council Tax Income Account shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
Gross Council Tax levied and contributions in lieu	75,939	70,864
Adjustments for prior years Council Tax	(221)	(129)
Adjusted for:		
• Council Tax Reduction Scheme	(4,414)	(4,199)
• Council Tax Benefits (Net of Government Grants)	-	-
• Other discounts and reductions	(7,660)	(7,232)
• Uncollectable debt and allowance for impairment	(820)	(693)
<b>Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14)</b>	<b>62,824</b>	<b>58,611</b>

### Calculation of the council tax

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest "A" to the highest "H". The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands that are based on pre-determined proportions relative to the band D charge. The band D charge for 2023/24 was £1,415.22 (2022/23: £1,335.11).

A discount of 25% on the council tax is made where there are fewer than two residents in a property and 50% for properties that are empty for less than 6 months. Discounts of 10% are applied to unoccupied properties. Certain persons are disregarded for Council Tax purposes, including people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. East Renfrewshire Council collects total monies and makes a precept payment to Scottish Water on the basis of collection levels based on a pre-determined formula. The figures below exclude the water and sewerage charges.

**Council Tax Income Account (cont'd)****Calculation of the Council Tax Base 2023/24\***

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discount 10%	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,321	(138)	18	-	(189)	(2)	1,010	240/360	673
BAND B	5,268	(263)	(2)	-	(644)	(7)	4,352	280/360	3,385
BAND C	4,135	(147)	9	-	(439)	(8)	3,550	320/360	3,156
BAND D	6,990	(155)	44	-	(682)	(10)	6,187	1	6,187
BAND E	8,592	(139)	(14)	-	(578)	(12)	7,849	473/360	10,313
BAND F	6,801	(77)	(4)	-	(351)	(11)	6,358	585/360	10,331
BAND G	7,091	(81)	(43)	-	(305)	(9)	6,653	705/360	13,028
BAND H	787	(1)	(8)	-	(20)	-	758	882/360	1,857
								<b>TOTAL</b>	<b>48,930</b>
								Provision for non-collection (2%)	979
								Council Tax Base	47,951

\*Source: Renfrewshire Valuation Joint Board return as at 31 March 2024  
(Please note, the sum of the individual items may not equal the totals shown due to rounding)

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to East Renfrewshire Council, the band D charge for 2023/24 was £1,415.22

BAND A	£943.48	BAND E	£1,859.44
BAND B	£1,100.73	BAND F	£2,299.73
BAND C	£1,257.97	BAND G	£2,771.47
BAND D	£1,415.22	BAND H	£3,467.29



## Common Good Fund

The earliest legislation which reflects the existence of the Common Good can be traced back to the Common Good Act 1491. The term common good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these funds but they are not council assets and have not been included in the council's balance sheet. The in-year movement relates to the capital accounting entries and is not based on costs incurred or income received. A copy of the Council's Common Good register can be obtained from the Council Website: <https://www.eastrenfrewshire.gov.uk/CAT>

### Movement in Reserves statement for the year ending 31 March 2024

	2023/24 Unusable Reserve £000	2022/23 Unusable Reserve £000
<b>Balance at 1 April</b>	<b>(2,083)</b>	<b>(2,449)</b>
Deficit / (surplus) on the provision of services	181	578
Other comprehensive income and expenditure	(1,012)	(212)
<b>Balance at 31 March</b>	<b>(2,914)</b>	<b>(2,083)</b>

### Comprehensive Income and Expenditure Statement for the year ending 31 March 2024

	Expenditure £000	2023/24 Income £000	Net £000	Expenditure £000	2022/23 Income £000	Net £000
Net costs of services	181	-	181	578	-	578
<b>(Surplus) or deficit</b>			<b>181</b>			<b>578</b>
(Surplus) / deficit on revaluation of fixed assets			(1,012)			(212)
<b>Total Comprehensive (Income) and Expenditure</b>			<b>(831)</b>			<b>366</b>

### Balance Sheet

	2023/24 £000	2022/23 £000
Property, Plant and Equipment	2,914	2,083
<b>Net Assets</b>	<b>2,914</b>	<b>2,083</b>
Unusable Reserve:		
Revaluation Reserve	(1,819)	(838)
Capital Adjustment Account	(1,095)	(1,245)
<b>Net Reserves</b>	<b>(2,914)</b>	<b>(2,083)</b>



**Common Good Fund (cont'd)****PROPERTY, PLANT & EQUIPMENT****Movement on Balances (Common Good)**

	<b>Land and Buildings 2023/24 £000</b>	<b>Land and Buildings 2022/23 £000</b>
Cost or Valuation at 1 April	2,083	2,536
Additions	265	319
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	946	(14)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(380)	(758)
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	-	-
<b>As at 31 March</b>	<b>2,914</b>	<b>2,083</b>
Accumulated Depreciation and Impairment at 1 April	-	(87)
Depreciation charge	(113)	(168)
Depreciation written out on disposal	-	-
Depreciation written out on Revaluation Reserve	66	226
Depreciation written out on Surplus/Deficit on the provision of Services	47	29
Derecognition – other (transfers)	-	-
<b>As at 31 March</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2024</b>	<b>2,914</b>	
<b>Net Book Value at 31 March 2023</b>	<b>2,083</b>	<b>2,083</b>
<b>Net Book Value at 31 March 2022</b>		<b>2,449</b>



# Group Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Year ended 31 March 2023

Year ended 31 March 2024

Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
176,632	(18,787)	157,845	Education	196,880	(18,177)	178,703
149,921	(82,011)	67,910	HSCP – Provision of Services	158,821	(91,036)	67,785
47,775	(11,311)	36,464	Environment	41,432	(11,586)	29,846
23,025	(14,299)	8,726	Business Operations & Partnerships	24,198	(13,806)	10,392
561	(273)	288	Chief Executive's Office	626	(284)	342
6,434	(109)	6,325	Other Expenditure & Income	11,309	(3,113)	8,196
3,662	(248)	3,414	Support Services – Chief Executive's Office	2,874	(216)	2,658
13,441	(283)	13,158	Support Services – Business Operations & P'ships	13,280	(226)	13,054
2,030	(555)	1,475	Support Services – Environment	1,610	(131)	1,479
			Share of operating results of subsidiaries:-			
11,686	(4,169)	7,517	ERC Leisure Trust	11,409	(5,446)	5,963
578	-	578	Common Good	181	-	181
9	-	9	Trust Funds	1	-	1
<b>435,754</b>	<b>(132,045)</b>	<b>303,709</b>	<b>Net Cost of General Fund Services</b>	<b>462,621</b>	<b>(144,021)</b>	<b>318,600</b>
19,269	(14,024)	5,245	HRA	16,541	(15,170)	1,371
<b>455,023</b>	<b>(146,069)</b>	<b>308,954</b>	<b>Cost of Services</b>	<b>479,162</b>	<b>(159,191)</b>	<b>319,971</b>
		(490)	Other operating expenditure			(6,661)
		9,561	Financing and investment income and expenditure			1,654
		(288,825)	Taxation and non-specific grant income			(303,870)
		<b>29,200</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>11,094</b>
		(6)	Share of operating results of associates			(1,674)
		7,353	Share of operating results of joint venture			2,091
		<b>36,547</b>	<b>Group (Surplus) / Deficit (Note 1 Group)</b>			<b>11,511</b>
		(77,575)	(Surplus) / Deficit on revaluation of Non-current assets			(24,079)
		(188,840)	Actuarial (gains)/losses on pension assets/liabilities			120,885
		(662)	Share of other comprehensive expenditure and income of associates and joint venture			1,269
		<b>(267,077)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>98,075</b>
		<b>(230,530)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>109,586</b>



## Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the Council along with the share of reserves of its subsidiary, associates and joint venture, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The statement shows how the movements in year of the Council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the movements chargeable to council tax (or rents) for the year.

The Increase/Decrease line shows the statutory Group General Fund Balance and Housing Revenue Account Balance movements in the year following these adjustments.

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Capital Grants & Receipts Unapplied £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(803,434)</b>	<b>(13,497)</b>	<b>(16,432)</b>	<b>(897,834)</b>
<b>Movement in reserves during 2023/24</b>												
Total Comprehensive (Income) and Expenditure	5,171	-	6,329	-	-	-	-	11,500	112,867	11	(14,792)	109,586
Adjustments between accounting basis & funding basis under regulations	(9,782)	-	(6,183)	-	-	-	147	(15,818)	15,818	(14,212)	14,212	-
<b>(Increase)/Decrease in 2023/24</b>	<b>(4,611)</b>	<b>-</b>	<b>146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>147</b>	<b>(4,318)</b>	<b>128,685</b>	<b>(14,201)</b>	<b>(580)</b>	<b>109,586</b>
<b>Net transfer to or from Reserves</b>	<b>3,967</b>	<b>10,992</b>	<b>-</b>	<b>-</b>	<b>(1,239)</b>	<b>(98)</b>	<b>(13,622)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2024 carried forward</b>	<b>(7,302)</b>	<b>(34,464)</b>	<b>(1,652)</b>	<b>-</b>	<b>(4,450)</b>	<b>(2,044)</b>	<b>(18,877)</b>	<b>(68,789)</b>	<b>(674,749)</b>	<b>(27,698)</b>	<b>(17,012)</b>	<b>(788,248)</b>
	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Capital Grants & Receipts Unapplied £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,772)</b>	<b>(34,417)</b>	<b>(1,867)</b>	<b>(2,628)</b>	<b>(3,647)</b>	<b>(1,903)</b>	<b>(2,671)</b>	<b>(58,905)</b>	<b>(573,298)</b>	<b>(19,293)</b>	<b>(15,808)</b>	<b>(667,304)</b>
<b>Movement in reserves during 2022/23</b>												
Total Comprehensive (Income) and Expenditure	23,910	-	3,298	-	-	-	-	27,208	(262,910)	9,339	(4,167)	(230,530)
Adjustments between accounting basis & funding basis under regulations	(29,730)	-	(3,229)	2,628	-	-	(2,443)	(32,774)	32,774	(3,543)	3,543	-
<b>(Increase)/Decrease in 2022/23</b>	<b>(5,820)</b>	<b>-</b>	<b>69</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>(2,443)</b>	<b>(5,566)</b>	<b>(230,136)</b>	<b>5,796</b>	<b>(624)</b>	<b>(230,530)</b>
<b>Net transfer to or from Reserves</b>	<b>10,934</b>	<b>(11,039)</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>(43)</b>	<b>(288)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(803,434)</b>	<b>(13,497)</b>	<b>(16,432)</b>	<b>(897,834)</b>



## Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council and its Group entities. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Group. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Group may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Group is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

31 March 2023		31 March 2024
£000		£000
936,780	Property, Plant & Equipment	959,809
285	Heritage Assets	318
140	Intangible Assets	148
23,362	Long-term Investments and/or Investments in Associates and Joint Venture	22,732
247	Investments	243
1,256	Asset in Associates and Joint Ventures	200
131,896	Defined Benefit Asset	15,687
<b>1,093,966</b>	<b>Long Term Assets</b>	<b>999,137</b>
-	Assets Held for Sale	60
481	Short Term Intangible Assets	-
604	Inventories	695
25,385	Short Term Debtors	24,830
4,999	Short Term Investments	-
65,750	Cash and Cash Equivalents	39,000
<b>97,219</b>	<b>Current Assets</b>	<b>64,585</b>
(377)	Short Term Borrowing	(16)
(5,368)	Finance Leases including PFI/PPP	(5,567)
(65,452)	Short Term Creditors	(50,400)
(640)	Provisions	(592)
<b>(71,837)</b>	<b>Current Liabilities</b>	<b>(56,575)</b>
(166)	Provisions – long term	(1,295)
(127,639)	Long Term Borrowing	(127,623)
(5)	Long Term Creditors	(5)
(68,132)	PFI/PPP Finance Lease	(62,565)
(17,398)	Defined Benefit Liability	(16,886)
(8,174)	Capital Grant Receipts in Advance	(10,525)
<b>(221,514)</b>	<b>Long Term Liabilities</b>	<b>(218,899)</b>
<b>897,834</b>	<b>Net Assets</b>	<b>788,248</b>
(77,968)	Usable Reserves	(96,487)
(819,866)	Unusable Reserves	(691,761)
<b>(897,834)</b>	<b>Total Reserves</b>	<b>(788,248)</b>

Margaret McCrossan CPFA

Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 12 June 2024 and the audited financial statements were authorised for issue by the Head Of Accountancy on 26 September 2024



## Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the Council and its Group entities during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

<b>2022/23</b>		<b>2023/24</b>
<b>£000</b>		<b>£000</b>
36,547	Net Group (surplus) or deficit on the provision of services	11,511
(43,359)	Group adjustments to net surplus or deficit on the provision of services for non-cash movements	(15,558)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(6,812)	Net cash flows from Operating Activities	(4,047)
20,205	Investing Activities	30,055
(12,964)	Financing Activities	742
429	Net (increase) or decrease in cash and cash equivalents	26,750
(66,179)	Cash and cash equivalents at the beginning of the reporting period	(65,750)
<b>(65,750)</b>	<b>Cash and cash equivalents at the end of the reporting period (Including Bank overdraft)</b>	<b>(39,000)</b>



## Notes to the Group Accounts

### 1. RECONCILIATION OF EAST RENFREWSHIRE COUNCIL'S SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

**PURPOSE** This statement shows how the (surplus)/deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the Group Accounts.

	2023/24 £000	2022/23 £000
<b>(Surplus)/Deficit on East Renfrewshire Council's provision of services</b>	<b>11,500</b>	<b>27,208</b>
<b>(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:</b>		
Net expenditure/(income) on Trust Funds in year	(16)	1
Common Good	181	578
East Renfrewshire Culture and Leisure Trust	(571)	1,413
<b>(Surplus)/Deficit in year arising from associates included in the Group Accounts:</b>		
• Strathclyde Partnership for Transport	(1,644)	(17)
• Strathclyde Concessionary Travel Scheme Joint Committee	(8)	(19)
• Renfrewshire Valuation Board	(22)	30
<b>(Surplus)/Deficit in year arising from a joint venture included in the Group Account:</b>		
East Renfrewshire Integration Joint Board	2,091	7,353
<b>GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>	<b>11,511</b>	<b>36,547</b>



## **Notes to the Group Accounts (cont'd)**

### **2. COMBINING ENTITIES**

The following entities have been consolidated into the Group Statements as subsidiaries of the council.

#### **Subsidiaries:-**

##### **Common Good and Charitable Trusts**

Barrhead Common Good and the Council's Charitable Trust Funds are administered by East Renfrewshire Council and are treated as subsidiaries within Council's Group Accounts, with assets, liabilities, reserves, income and expenses being consolidated line-by-line.

##### **East Renfrewshire Culture and Leisure Trust**

East Renfrewshire Culture and Leisure Trust was incorporated on 2 July 2015 as a company limited by guarantee. The company is also a registered charity, with East Renfrewshire Council being the sole member. The Council provides funding to the Trust based on an agreed service plan; however, the limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company will promote, advance and further charitable purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

After accounting for FRS 102 Retirement Benefits, the net assets of the company were £18.510m at 31 March 2024. The gain/ (loss) on ordinary activities before and after taxation for the year to 31 March 2024 (£15.620m) (2022/23 (£1.413m)).

The accounts are subject to independent audit and are available from Chief Executive, East Renfrewshire Culture and Leisure Trust, 1 Burnfield Ave, Giffnock, East Renfrewshire, G46 7TL.

The Council also exercises a significant influence over a number of entities, details of which are listed below. All of these bodies share the same financial year as the Council and have all been incorporated into the Group Accounts as either associates or joint ventures.

#### **Associates:-**

##### **Strathclyde Partnership for Transport**

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland. The Council contributed £1.56m or 4.3% to the Council's running costs during 2023/24 and accounted for £21.568m (2022/23 £20.115m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Council are subject to independent audit and are available from The Treasurer to Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.





## **Notes to the Group Accounts (cont'd)**

### **Strathclyde Concessionary Travel Scheme Joint Committee**

This Committee comprises the 12 Councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 constituent Councils and by direct grant funding from the Scottish Government. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Board.

During 2023/24 the Council contributed £0.184m or 4.45% to the annual running costs and accounted for £0.232m (2022/23 £0.224m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, 131 St Vincent Street, Glasgow G2 5JF.

### **The Renfrewshire Valuation Joint Board**

This Board is an independent public body formed in 1996 at local government reorganisation by an Act of Parliament. The Council has no shares in, nor ownership of the Board. The Board's running costs are met by the three councils of East Renfrewshire, Inverclyde and Renfrewshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The accounts of the Board are subject to audit and are available from the Treasurer of the Renfrewshire Valuation Joint Board, Renfrewshire Council, Council Headquarters, Paisley PA1 1JB.

The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East Renfrewshire, Inverclyde and Renfrewshire. East Renfrewshire Council contributed £0.580m or 20.46% to the organisation's revenue costs and its share of the year-end net asset of £0.2m (2022/23 £1.256m net liability) is included in the Group Balance Sheet.

### **Joint Venture:-**

#### **East Renfrewshire Integration Joint Board**

The East Renfrewshire Integration Joint Board was formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between East Renfrewshire Council and the Greater Glasgow & Clyde Health Board.

Integration Joint Boards are specified as Section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 supported by International Financial Reporting Standards (IFRS).

The East Renfrewshire Integration Joint Board receives contributions from its funding partners, namely East Renfrewshire Council and the Greater Glasgow and Clyde Health Board to fund its services. Expenditure is incurred in the form of charges for services provided to the Joint Board by its partners.

During 2023/24 the Council contributed £92.346m or 41.91% to the annual running costs and accounted for £0.932m (2022/23 £3.023m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Chief Financial Officer to the East Renfrewshire Integration Joint Board, Eastwood Health and Care Centre, Drumby Crescent, Clarkston, G76 7HN.

**Notes to the Group Accounts (cont'd)****3. FINANCIAL IMPACT OF CONSOLIDATION**

The effect of inclusion of the Common Good along with the subsidiary, associate and joint venture entities and the trust fund balances on the Group Balance Sheet is to increase both Reserves and net assets by £44,710, representing the Council's net share of the net assets in these entities.

	<b>2023/24</b>	<b>2022/23</b>
	<b>£000</b>	<b>£000</b>
<b>Surplus/(Deficit) on East Renfrewshire Council's net assets</b>	<b>743,538</b>	<b>867,905</b>
<b>Surplus/(Deficit) in year net assets from subsidiaries included in Group Accounts:</b>		
Trust Funds in year	354	338
Common Good	2,914	2,083
East Renfrewshire Culture and Leisure Trust	18,510	2,890
<b>Surplus/(Deficit) in year net assets from associates included in the Group Accounts:</b>		
• Strathclyde Partnership for Transport	21,568	20,115
• Strathclyde Concessionary Travel Scheme Joint Committee	232	224
• Renfrewshire Valuation Board	200	1,256
<b>Surplus/(Deficit) in year net assets from a joint venture included in the Group Account:</b>		
East Renfrewshire Integration Joint Board	932	3,023
<b>GROUP ACCOUNT SURPLUS/(DEFICIT) FOR THE YEAR ON NET ASSETS</b>	<b>788,248</b>	<b>897,834</b>

**4. ACCOUNTING POLICIES**

The financial statements in the Group Accounts of East Renfrewshire Council are prepared in accordance with the accounting policies set out for the single entity.

**5. PENSIONS**

Disclosure of information relating to the pensions of East Renfrewshire Council and its associates follows the reporting requirements of IAS19 Employee Benefits. Information relating to the pensions of subsidiaries follows the reporting requirements of FRS102 (The financial Reporting Standard applicable in the UK and Republic of Ireland) and includes separate assumptions for their actuarial valuation.

**6. GOING CONCERN**

The Council's share of East Renfrewshire Culture & Leisure Trust's (ERCLT) net reserves is a net asset, this asset is after accounting for a pension liability. The pension liability, due in future years, will be financed by annual pension contributions and returns on pension fund investments.

ERCLT has prepared their accounts on a going concern basis, as has the Council in preparing its Group Financial Statements as it is expected that funding, aligned with robust budget processes, will continue to provide sufficient resources.

**Notes to the Group Accounts (cont'd)****7. TRUST FUNDS**

The Council acts as Trustees for 16 Trusts, 6 of which have charitable status. These are varied in nature and relate principally to legacies left by individual inhabitants over a period of years. The funds do not represent assets of the Council and are not included in the Council's single entity Balance Sheet.

	Balance 31.03.23 £	Expenditure £	Income £	Balance 31.03.24 £
Charity Number				
SCO05976 Duff Memorial Fund	274	-	247	521
SCO16641 Newton Mearns Benevolent Fund	2,127	-	182	2,309
SCO19475 Janet Hamilton Fund	12,418	764	2,605	14,259
SCO19474 John Pattison Memorial	220	-	497	717
SCO19473 Hugh & Janet Martin Fund	1,298	180	849	1,967
SCO37293 Netherlee School 1937	4,375	-	975	5,350
<b>CHARITABLE REVENUE BALANCES</b>	<b>20,712</b>	<b>944</b>	<b>5,355</b>	<b>25,123</b>
Thornliebank War Memorial Fund	723	-	42	765
Anderson Bequest	28	-	52	80
Cathcart Cemetery Fund	6,549	-	490	7,039
Crum Memorial	102	-	58	160
McNiven Prize	988	-	100	1,088
Rev Denis Reen	2,334	-	218	2,552
James Cowan Bequest	422	-	97	519
Cowan Park Cropping Fund	37	-	22	59
Annie Tyson Trust Fund	51,884	-	10,524	62,408
Rita Donnelly Memorial Prize	20	-	-	20
<b>OTHER TRUST FUND REVENUE BALANCES</b>	<b>63,087</b>	<b>-</b>	<b>11,603</b>	<b>74,690</b>

			Capital Value of Fund	
			31.03.24 £	31.03.23 £
<b>The Principal Funds</b>	Duff Memorial Fund	For the upkeep of Duff Memorial Hall	4,646	4,646
	Janet Hamilton Fund	Assisting the sick requiring nursing or hospital treatment	40,131	40,131
	John Pattison Memorial	Assisting the deserving poor in Barrhead	9,657	9,657
	Hugh & Janet Martin Fund	For charitable and educational purposes	15,574	15,574
	Netherlee School 1937	To advance the education of the pupils of Netherlee Primary	15,000	15,000
	Other – Charitable		1,500	1,500
	<b>CHARITABLE TOTAL RESERVES</b>		<b>86,508</b>	<b>86,508</b>
	Annie Tyson Trust Fund	Assisting with special needs training	157,306	157,306
	Other Trust Funds		10,256	10,256
	<b>OTHER TRUST FUND TOTAL RESERVES</b>		<b>167,562</b>	<b>167,562</b>

**Notes to the Group Accounts (cont'd)**

		2023/24 £	2022/23 £
<b>Balance Sheet – Charitable</b>	Fund balances	111,631	107,220
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>111,631</b>	<b>107,220</b>
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	111,631	107,220
	<b>TOTAL ASSETS</b>	<b>111,631</b>	<b>107,220</b>

		2023/24 £	2022/23 £
<b>Balance Sheet – Other Trust Funds</b>	Fund balances	242,252	230,649
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>242,252</b>	<b>230,649</b>
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	242,252	230,649
	<b>TOTAL ASSETS</b>	<b>242,252</b>	<b>230,649</b>

**8. NON MATERIAL INTEREST IN JOINT COMMITTEES**

The Council has an interest in a number of Joint Committees that have not been consolidated within the group accounts. In aggregate they are considered to be immaterial to the understanding of the accounts.

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £81,378 (2022/23, £78,587) representing 2% (2022/23, 2%) of the organisation's estimated running costs for the year to 31 March 2024.
- The **Glasgow and the Clyde Valley Strategic Development Planning Authority** Joint Committee covers the eight councils within its area. Under the Town and Country Planning (Scotland) Act 1997, each member Council not only has responsibilities for local planning matters in its area but also the strategic issues that cover the wider area of the Glasgow & Clyde Valley. Accordingly, the committee prepares, monitors and reviews the Strategic Development Plan on behalf of member councils and liaises with Central Government, Scottish Enterprise and other bodies. During the year, the Council contributed £53,000 (£2022/23 £68,375) representing 12.5% (2022/23, 12.5%) of the Committee's estimated running costs for the year to 31 March 2024.
- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and education guidance services. During the year, the Council made a contribution of £16,400 (2022/23, £16,400) representing 4.20% (2022/23 4.20%) of the consortium's estimated running costs for the year to 31 March 2024.



## Notes to the Group Accounts (cont'd)

- The **West of Scotland Archaeology Service** was set up in 1997 as a Committee of 11 authorities in the region. It is currently funded by 12 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contribution of £7,619 (2022/23, £7,619) representing 4.05% (2022/23 4.47%) of the Committee's estimated running costs for the year to 31 March 2024.
- The **Glasgow City Region Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal Programme aims to deliver a £1.1bn investment programme, including delivery of labour market and innovation programmes. During the year the Council made a contribution of £42,291 (2022/23, £54,232) representing 5.22% (2022/23 5.22%) of the organisation's running costs for the year to March 2024.
- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 32 authorities and the principal activity of the LLP is the provision of information technology solutions to education services. During the year, the Council made a contribution of £137,431 (2022/23, £137,431) representing 2.51% (2022/23 2.51%) of the organisation's running costs for the year to 31 March 2024.



## **Glossary of Terms**

Much of the terminology used in this Report is intended to be self-explanatory. However, the following additional definitions and interpretations of terms used may be helpful. This section of the accounts does not form part of the audited accounts.

### **1. Gross Expenditure**

This includes all expenditure attributable to the service / activity including employee costs, expenditure relating to premises and transport, supplies & services, third party payments and capital charges.

### **2. Gross Income**

This includes the charges to individuals and organisations for the direct use of the Council's services.

### **3. Corporate and Democratic Core**

Corporate and Democratic Core costs include the costs of policy making and all other member based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice for Local Authorities stipulates that such costs are to be excluded from the Total Cost relating to the Housing Revenue Account service activity.

### **4. Capital Charges**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

### **5. Financing Costs**

This includes the annual costs of financing the sums borrowed by the Council covering its capital repayment of loans, interest charges and debt management expenses.

### **6. Specific Government Grant**

This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.

### **7. Capital Expenditure**

This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

### **8. Non-Current Assets**

These are created by capital expenditure incurred by the Council. This includes buildings and property, vehicles, plant and machinery, roads, computer equipment etc.

### **9. Revaluation Reserve**

The Revaluation Reserve represents the accumulated gains on the revaluation of fixed assets not yet realised through sales. This account cannot be used to support spending.

### **10. Capital Adjustment Account**

The capital adjustment account represents the accumulation of capital resources set aside to meet past expenditure. This account cannot be used to support spending.

### **11. Financial Instruments Adjustment Account**

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account cannot be used to support spending.

### **12. Capital Grant Receipts in Advance**

This contains any capital grants or contributions which have been received where the related capital expenditure has not yet been incurred and will be released to meet the costs of that capital expenditure as appropriate.



## **Glossary of Terms (cont'd)**

### **13. Pension Reserve**

The Local Government Pension Fund (Scotland) Regulations 2003 came into force on 20 December 2003 and require Local Authorities to set up a pension reserve fund for pension scheme surpluses and deficits. This fund is separate from a Council's General Fund and means that any pension scheme surplus / deficit will not impact on local taxation.

### **14. Generally Accepted Accounting Practice in the UK (UK GAAP)**

The overall body of regulation establishing how Company accounts must be prepared in the United Kingdom. The basis on which Local Authority accounts were previously prepared.

### **15. International Financial Reporting Standards (IFRS)**

The basis on which Local Authority accounts are currently prepared.

### **16. Subsidiary**

An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

### **17. Associate**

An entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies the reporting Council is able to exercise significant influence.

### **18. Joint Venture**

A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

### **19. Entity**

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single-entity accounts.

### **20. Common Good**

Denotes all assets of the former Burghs not acquired under statutory powers or held under special trusts and reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh.



# **Independent Auditor's Report**

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

### **Reporting on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of East Renfrewshire Council (the Council) and its Group for the year ended 31 March 2024 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Group and Council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the Council-only Housing Revenue Account Income and Expenditure Statement, the National Non Domestic Rates Accounts, the Council Tax Income Account, the Common Good Fund and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the 2023/24 Code).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Council and its Group as at 31 March 2024 and of the income and expenditure of the Council and its Group for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the Council and its Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Council. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the Council and its Group to continue to adopt the going concern basis of accounting for the period to 31 March 2026.

## **Independent Auditor's Report (cont'd)**

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the Council and its Group. However, we report on the Council's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

### **Responsibilities of the Chief Financial Officer and Audit and Scrutiny Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the ability of the Council and its Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the Council and its Group.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using our understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Council and its Group;
- inquiring of the Chief Financial Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Council and its Group;
- inquiring of the Chief Financial Officer concerning the policies and procedures of the Councils and its Group regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

## **Independent Auditor's Report (cont'd)**

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Reporting on other requirements**

#### **Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report**

We have audited the parts of the Remuneration Report described as audited. In our opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

#### **Other information**

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited parts of the Remuneration Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

#### **Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that

## **Independent Auditor's Report (cont'd)**

report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **Matters on which we are required to report by exception**

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration Report are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

[Signature]

Rob Jones, (for and on behalf of Ernst & Young LLP),  
Ernst & Young LLP  
5 George Square  
Glasgow  
G2 1DY

Date:







26 September 2024

Ernst & Young  
5 George Square  
Glasgow  
G2 1DY

This letter of representations is provided in connection with your audit of the Group and Council financial statements of East Renfrewshire Council (“the Group and Council”) for the year ended, 31<sup>st</sup> March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the Group and Council financial statements give a true and fair view of the state of affairs of the Council and its Group as at 31<sup>st</sup> March 2024 and of the income and expenditure of the Council and its Group for the year then ended in accordance with, UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, and the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We understand that the purpose of your audit of our Group and Council financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council, UK adopted international accounting standards as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.<sup>1</sup>
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the Group and Council financial statements. We believe the Group and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom

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<sup>1</sup> ISA (UK) 580.10  
Form 410GL(R) GPS – Local Government – Group (20 July 2024)

# Letter of representations: Audit of Group and Local Authority financial statements



2023/24, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The material accounting policy information adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 for the Group and Council that are free from material misstatement, whether due to fraud or error.<sup>2</sup>
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

## **B. Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.<sup>3</sup>
3. We have disclosed to you the results of our assessment of the risk that the Group and Council financial statements may be materially misstated as a result of fraud.<sup>4</sup>

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the Group and Council financial statements, but

<sup>2</sup> ISA (UK) 210.6(b)(ii) and ISA (Ireland) 210.6(b)(ii)

<sup>3</sup> ISA (UK) 240.40(a) (Revised May 2021)

<sup>4</sup> ISA (UK) 240.40(b)



compliance with which may be fundamental to the operations of the Group and Council's business, its ability to continue in business, or to avoid material penalties

- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.<sup>5</sup>

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.<sup>6</sup>
2. All material transactions have been recorded in the accounting records and are reflected in the Group and Council financial statements<sup>7</sup>
3. We have made available to you all minutes of the meetings of the Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 26 September 2024.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Group and Council financial statements.<sup>8</sup>
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is

<sup>5</sup> ISA (UK) 240.39(c),(d); ISA (UK) 250A.177

<sup>6</sup> ISA (UK) 580.11(a); ISA (UK) 210.6(b)(iii)

<sup>7</sup> ISA (UK) 580.11(b)

<sup>8</sup> ISA (UK) 550.26

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# Letter of representations: Audit of Group and Local Authority financial statements



in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.<sup>9</sup>

6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the Group and Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From 26<sup>th</sup> September 2023 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material effect on the Group and Council financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

## **D. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the Group and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.<sup>10</sup>
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 41 to the Group and Council financial statements all guarantees that we have given to third parties.<sup>11</sup>

## **E. Going Concern<sup>12</sup>**

1. Note 1 to the Group and Council financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

## **F. Subsequent Events**

1. As noted in the Management Commentary there have been no events subsequent to period end which require adjustment of or disclosure in the Group and Council financial statements or notes thereto.<sup>13</sup>

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<sup>9</sup> ISA (UK) 540.37 (Revised))

<sup>10</sup> ISA (UK) 501.12

<sup>11</sup> ISA (UK) 501.12

<sup>12</sup> ISA (UK) 570.12-2 (Revised))

<sup>13</sup> ISA (UK) 560.9

#### G. Group audits

1. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst Council, subsidiary undertakings and associated undertakings.
2. We confirm that the accounting policies of consolidated entity balances are consistent with those of the main Council.

#### H. Other information<sup>14</sup>

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and the auditor's report thereon.
2. We confirm that the content contained within the other information is consistent with the financial statements.

#### I. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered, including the impact resulting from the commitments made by the Group and Council, and reflected in the Group and Council financial statements.
2. The key assumptions used in preparing the Group and Council financial statements are, to the extent allowable under the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, , aligned with the statements we have made in the other information or other public communications made by us.

#### J. Ownership of Assets

1. The Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheets.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the Group and Council financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

<sup>14</sup> Other information is financial and non-financial information (other than the financial statements and the auditor's report thereon) included in an entity's annual report.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. We have no other line of credit arrangements.

**K. Reserves**

1. We have properly recorded or disclosed in the Group and Council financial statements the useable and unusable reserves.

**L. Contingent Liabilities**

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the Group and Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the Group and Council financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

**M. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the PFI/PPP, other land and buildings and pension schemes have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Group and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

**N. Estimate – Valuation of Property, Plant and Equipment**

1. We confirm that the significant judgments made in making the Valuation of Property, Plant and Equipment have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the Valuation of Property, Plant and Equipment.
3. We confirm that the significant assumptions used in making the Valuation of Property, Plant and Equipment appropriately reflect our intent and ability to utilise the carrying value of the assets through the uses intended in line with Council's objectives on behalf of the Council.
4. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate, including those describing estimation uncertainty are complete and are reasonable in the context of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.



## Letter of representations: Audit of Group and Local Authority financial statements



5. We confirm that appropriate specialised skills or expertise has been applied in making the Valuation of Property, Plant and Equipment.
6. We confirm that no adjustments are required to the accounting estimate and disclosures in the Group and Council financial statements.
7. We confirm that the net book value of infrastructure assets held by the Council as disclosed in the financial statements reflects our best estimate of the existing value of these assets, including both the disposal of any assets following their replacement and their estimated useful lives, in line with the Code and relevant Scottish Government statutory overrides.
8. We acknowledge our responsibilities in relation to Reinforced Autoclaved Aerated Concrete (RAAC) in line with the government-issued guidance, and have ensured that the Council has completed all relevant inspections of its properties most likely to be impacted by RAAC. We confirm that no adjustments are required on this basis.

### **O. Estimate – Valuation of Pension Liabilities and Assets**

1. We confirm that the significant judgments made in making the Valuation of Pension Liabilities and Assets have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the Valuation of Pension Liabilities and Assets, including those used for the triennial valuation and the accounting treatment of pension asset recognition in the year.
3. We confirm that the significant assumptions used in making the Valuation of Pension Liabilities and Assets appropriately reflect our intent and ability to carry out our future obligations to all East Renfrewshire Council employees who are members of the pension scheme on behalf of the Council.
4. We confirm that the disclosures made in the Group and Council financial statements with respect to the accounting estimate, including those describing estimation uncertainty are complete and are reasonable in the context of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.
5. We confirm that appropriate specialised skills or expertise has been applied in making the Valuation of Pension Liabilities and Assets.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements.

*Yours faithfully,*

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Letter of representations: Audit of Group and Local Authority financial statements



\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chairman of the Audit and Scrutiny Committee)

\_\_\_\_\_  
(Chief Executive)

\_\_\_\_\_  
(Leader of the Council)



# East Renfrewshire Council

[Provisional]

Annual Audit Report  
Year Ended 31 March 2024

26 September 2024



This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Audit Scotland and the Accounts Commission (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

### **Accessibility**

Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018. Responsibility for compliance is with the body publishing the document.

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# 1. Key messages

## Financial statements



### Financial statements

Our assessment: Green

We have concluded our audit of the financial statements of East Renfrewshire Council for the year ended 31 March 2024. The draft financial statements were provided in line with legislative deadlines. Supporting working papers were of a good quality with the exception of matters noted in relation to valuations. We continued to identify areas for improvement, relating to the provision of property, plant and equipment valuation supporting papers. During the course of the audit, we identified two accounting audit differences and a number of presentational differences that management adjusted in the financial statements.

Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's *Delivering Good Governance Framework*.

We made five recommendations in relation to the financial statements, of which four relate to the Council's arrangements for the annual valuation of property, plant and equipment.



### Going concern

Our assessment: Green

In accordance with the CIPFA Code of Practice on Local Authority Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of increased demand for services, inflationary pressures and uncertainty in financial planning.

We have no matters to report in respect of our work around going concern or the conclusions reached by the Council.

- Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council, as well as control and process observations made through our audit work.

# Wider Scope



## Financial sustainability

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

Our assessment: Red

The Council draws upon scenario planning to prepare for the scale of the budget gaps ahead. The current projected gap for 2025/26 is £15.1 million, though uncertainties remain. The gap will be partly bridged using the remaining balance available in the Council's Service Concessions reserve (£2.3 million) but there is still a significant future budget gap to be addressed.

Longer term financial planning remains challenging, primarily as a result of uncertainties in forecasting cost and demand pressures, future settlements from the Scottish Government and the funding of pay rises. The Council recognises the need to return to multi-year budgets when this is possible.



## Financial management

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Our assessment: Green

The Council recorded a deficit of £10.3 million, reflecting an underspend of £6.9 million within operational services, mainly as a result of one off movements. This continues a trend of significant underspends, beyond the level reported to elected members throughout the financial year.

In 2023/24 the Council elected to draw upon £10.3 million from reserves to balance the financial position, including the planned use of the Service Concessions reserve. Use of non-recurring measures to balance the budget is not sustainable.



## Vision, leadership & governance

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Green

The Council has approved the Community Planning Partnership's Strategic Plan, "A Place to Grow" and will now refresh the underpinning strategies and plans to align to three new priority themes.

Governance arrangements are established and the Annual Governance Statement concludes that they worked well throughout 2023/24. During the year, the Council's internal auditors had to delay planned areas of work as a result of significant capacity constraints, but successfully recruited to team vacancies by March 2024.



## Use of resources

The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our assessment: Green

The Council has a well-developed approach in place to monitor and report on key areas of performance, and was able to demonstrate key areas of improvement in 2023/24 within both service performance and in responding to the Strategic Outcomes within the Community Plan. National benchmarking data shows that the Council performs above the Scottish average in 64% of indicators.

The Council has benefited from significant City Deal investment and continues to monitor progress against strategically important projects.

## Best Value

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. For 2023/24, the Commission directed auditors to report on the Council's arrangements for workforce innovation. Our key conclusions against the work programme set by the Commission are reported within a separate Best Value Thematic Report

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our consideration of the strategic planning arrangements in 2022/23 concluded that there is a vision in place and that longer term strategic planning is based on community engagement and is aligned with community planning partners. The revised Community Planning Partnership's strategic plan, "A Place to Grow" reflects the significant engagement with stakeholders and has recently been approved.

The thematic review in 2023/24 considered the Council's arrangements for workforce planning and innovation. The Council has developed a People Strategy to support the delivery of the new strategic plan and work towards becoming a learning organisation.



## 2. Introduction

### Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Council and its Group ('the Council' or 'the Group') for the five year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Accounts Commission and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved, and how risks facing the organisation can be mitigated. We use these insights to form audit recommendations to support the Council.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations made in 2022/23 (Appendix H).

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

### Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Council's Audit and Risk Committee on 28 March 2024. There have been no material changes to the plan.

### Our review and assessment of materiality

In our Annual Audit Plan, we communicated that our audit procedures would be performed using an overall materiality of £7.3 million. Exhibit 1 confirms that we have assessed that this basis of overall materiality remains appropriate and have updated the value for the actual outturn for the 2023/24 financial year as per the unaudited financial statements.



In 2022/23, performance materiality was set at 50% of planning materiality, in line with our risk assessment for all initial year audits. Within the Annual Audit Plan, presented to the Audit and Scrutiny Committee on 28 March 2024, we assessed that it was appropriate to continue to apply a lower level of materiality through the planning phase of the audit as a result of the significant audit adjustments identified through our prior year audit procedures.

We noted that if the Council could evidence progress against the areas of concern which resulted in adjustments in the prior year the basis on which materiality is set would be revised ahead of the completion of our audit. The adjustments and recommendations identified in the prior year predominantly related to the valuation of fixed assets and the application of assumptions that were inconsistent with the CIPFA Local Government Accounting Code of Practice.

Prior to the start of our substantive procedures, the Council evidenced that they had addressed the relevant recommendations raised in our prior year annual audit report and that they were no longer applying these assumptions. As a result of this and based on the results of our risk assessment procedures, we increased our performance materiality to 75% of overall materiality. As a result, performance materiality was raised from £3.6 million to £5.8 million.

### Financial Statements audit

We are responsible for conducting an audit of the Group and Council's financial statements. We provide an opinion as to:

- Whether they give a true and fair view of the state of affairs of the Council and its Group as at 31 March 2024 and of the income and expenditure of the Council and its Group for the year then ended;

#### Exhibit 1: Our materiality assessment in 2023/24

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £7.3 million, with performance materiality set at 50% of overall materiality. We have considered whether any change to our overall materiality was required in light of the income and expenditure in 2023/24 and have increased our overall materiality, using the same basis, to reflect the updated information provided within the unaudited financial statements. Regarding performance materiality, based on the results of our risk assessment procedures, we have increased our performance materiality to 75% of overall materiality.

**£7.7  
million**

**Overall  
materiality**

**£5.8  
million**

**Performance  
materiality**

**£0.38  
million**

**Reporting  
materiality**

Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

- ▶ Have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Code.
- ▶ Whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2023/24 audit in our Annual Audit Plan.

Three significant risks were identified that impacted the audit of the financial statements:

- ▶ The risk of fraud in revenue and expenditure recognition;
- ▶ Misstatement due to fraud or error; and
- ▶ The valuation of property, plant and equipment.

In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

## **| Wider scope and best value**

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Council, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ The Council's arrangements to secure sound financial management.
- ▶ The regard shown to financial sustainability.
- ▶ Clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery.
- ▶ The use of resources to improve outcomes.

Our Annual Audit Plan identified two areas of audit focus in relation to wider scope audit:

- ▶ The Council's ability to develop sustainable and achievable medium term financial plans; and
- ▶ The Best Value thematic review in 2023/24, relating to workforce innovation.

Our annual assessment of the Council's arrangements to secure best value is integrated within our wider scope annual audit work. Our wider scope and Best Value findings are summarised in Section 4 of this report.

## | 3. Financial statements

### Introduction

The annual financial statements allow the Council to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

### | Compliance with regulations

As part of our oversight of the Council's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared materially in accordance with the CIPFA Code of Practice on Local Authority Accounting 2023/24.

The draft financial statements were submitted for audit by 30th June 2024, in line with requirements. All core audit working papers were of a good quality and were provided in line with the agreed timetable.

We were satisfied that the Council made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements. We will continue to discuss good practice as part of our 2023/24 debrief and ongoing engagement with the Accountancy team.

### | Audit outcomes

We identified two adjustments arising from the audit, which have been reflected within the 2023/24 financial statements. Our overall audit opinion is summarised on pages 12-13.

We made four recommendations relating to the financial statements as a result of the annual audit. Three recommendations relate to the Council's programme of valuation of its Property, Plant and Equipment. These recommendations, together with management responses are included within the action plan in Appendix E.

### | Audit status

Our audit is substantially complete, subject to the following outstanding areas:

- ▶ Receipt and review of finalised financial statements;
- ▶ Completion of our housing benefit and NDR assurance work and approval of separate returns; and
- ▶ Updated confirmation that there have been no subsequent events in the period to date of signing. ]

## | Audit approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the Group and Council financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.

- ▶ Ensuring that reporting to the Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.
- ▶ We rigorously maintain auditor independence (refer to Appendix B).

## | Group financial statements

The Council has identified and accounted for the following interests in other entities within its Group financial statements:

- ▶ Common Good and Charitable Trusts
- ▶ Strathclyde Partnership for Transport
- ▶ Strathclyde Concessionary Travel Scheme
- ▶ Renfrewshire Valuation Joint Board
- ▶ East Renfrewshire Culture & Leisure Trust
- ▶ East Renfrewshire Integration Joint Board

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure. We have conducted an audit of the Common Good, and we are separately appointed to audit the Integration Joint Board. For all other bodies, we obtained the financial statements and performed analytical review procedures.

One matter was identified as a result of our review of the group consolidation arrangements in relation to pension asset recognition for the East Renfrewshire Cultural and Leisure Trust - refer to Appendix F.

## | Key audit matters

Under the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on:

- ▶ the overall audit strategy, the allocation of resources in the audit; and
- ▶ directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## | Section 106 Trusts

The Council acts as trustee for six charitable trusts:

- ▶ Lieutenants Duff Memorial Institute;
- ▶ Newton Mearns Benevolent Association;
- ▶ Janet Hamilton Memorial Fund;
- ▶ John Pattison Memorial Fund,
- ▶ Hugh and Janet Martin Memorial Fund;  
and
- ▶ Netherlee School 1937 Endowment

As noted in our audit plan, Audit Scotland published a briefing in relation to Charitable Trusts across local government in February 2024.

The report noted that only twelve Councils in Scotland (including East Renfrewshire) administered more than five Section 106 charities in 2022/23, and advised that steps are taken to wind up and merge charitable trusts, or appoint an external trustee to remove the audit requirement for 2023/24.

Management have actioned this recommendation and have appointed South Ayrshire Council as an independent external examiner. As a result, the charitable trusts are now outside the scope of our audit, and we do not provide an opinion on these bodies.

## Exhibit 2: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Financial statements</b></p> <ul style="list-style-type: none"> <li>▶ Truth and fairness of the state of affairs of the Council at 31 March 2024 and its expenditure and income for the year then ended.</li> <li>▶ Financial statements in accordance with the relevant financial reporting framework and relevant legislation.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.</li> <li>▶ We are satisfied that accounting policies are appropriate and estimates are reasonable.</li> <li>▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</li> </ul>	<p>We [have issued an unqualified] audit opinion on the 2023/24 financial statements for the Council.</p>
<p><b>Going concern</b></p> <ul style="list-style-type: none"> <li>▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.</li> <li>▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</li> </ul>	<p>[In accordance with the work reported on page 24, we have not identified any material uncertainties. ]</p>
<p><b>Other information</b></p> <ul style="list-style-type: none"> <li>▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Chief Financial Officer is responsible for other information included in the financial statements.</li> <li>▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and Council minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.</li> </ul>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>



## Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Matters prescribed by the Accounts Commission</b></p> <ul style="list-style-type: none"> <li>▶ Audited part of remuneration report has been properly prepared.</li> <li>▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.</li> </ul>	<p><b>Our procedures include:</b></p> <ul style="list-style-type: none"> <li>▶ Reviewing the content of narrative disclosures to information known to us.</li> <li>▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.</li> </ul>	<p>[We issued an unqualified opinion.]</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p><b>We are required to report on whether:</b></p> <ul style="list-style-type: none"> <li>▶ Adequate accounting records have been kept.</li> <li>▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records.</li> <li>▶ We have not received the information or explanations we require.</li> </ul>	<p>[We have no matters to report.]</p>

## Our response to significant and fraud audit risks

### 1. Risk of fraud in revenue and expenditure recognition (Key audit matter)

#### | What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

We consider there to be a specific risk around income and expenditure recognition through incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end, incorrect recognition applied to grant income with performance conditions and Incorrect capitalisation of revenue expenditure. We therefore consider this risk to be most prevalent in the following income and expenditure balances:

- ▶ **Total other expenditure:** £164.6 million and prior year (PY) comparator: £169.7 million;
- ▶ **Total other income:** £62.0 million and PY comparator: £58.1 million;
- ▶ **Other grants and capital grants:** £49.4 million and PY comparator: £55.0 million
- ▶ **Related creditor balances:** £32.5 million and PY comparator: £41.6 million;
- ▶ **Related debtor balances:** £4.1 million and PY comparator: £3.9 million; and
- ▶ **Capital Grant Receipts in Advance:** £10.5 million and PY comparator: £8.2 million.

Refer to accounting policies within Note 1 [(pages 53-64) and notes 2-3, 5, 12-14, 19-21 and 23 of the Consolidated Financial Statements.]

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account. Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax, non-domestic rate and investment income. With regards to expenditure, we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.

#### | What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identify a fraud risk. For 2023/24 our work included:

- ▶ Inquiring with management and those charged with governance about risks of fraud and the controls put in place to address those risks.
- ▶ Reviewing and challenge management on any accounting estimates for evidence of bias.
- ▶ Reviewing and testing additional revenue and expenditure cut-off at the period end date.
- ▶ Ensuring that grant income satisfies recognition criteria tests.
- ▶ Conduct additional substantive testing of related income and expenditure transactions where we have identified a significant risk.
- ▶ Assessing and challenging manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- ▶ Testing material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

## **| Other audit procedures: non-significant risk areas**

### **▶ Council Tax Income**

We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

### **▶ Non-Domestic Rates**

We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

### **▶ Non ring-fenced grant income**

We substantively tested these balances to grant confirmation letters from third parties.

### **▶ Depreciation, amortisation & impairment:**

We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

### **▶ Pension costs:**

We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 21.

In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.

### **▶ Employee expenses**

We established expectations of payroll costs in the year based on staff numbers and salary movements and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.



## **Our conclusions**

- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

## 2. Risk of management override (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

### | Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

### | Testing on journal entries

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
  - ▶ Journals transferring funds between useable reserves and restricted or separated accounts such as HRA accounts; and
  - ▶ Journals adjusting between income and expenditure accounts and capital accounts.
- We identified no unusual journals which could not be explained by management, or which indicated any additional risk of fraud.

### | Judgements and estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the Board's audit from 2020/21. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, including the valuation of local government pension assets and liabilities, considered on page 21 of this report; and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 18 of this report).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;
- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

### | Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate and there were no significant accounting practices which materially depart from what is acceptable under the Code.

### | Remuneration report

The Council must prepare a Remuneration Report as part of the financial statements under the Accounting Code of Practice. We apply a lower level of materiality to the Remuneration Report due to the nature of the disclosures.

Within the Remuneration Report, the Council is required to disclose elected member expenses.



### Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ We made minor amendments to the disclosures within the Remuneration Report as part of the audit (refer to Appendix F)
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

### 3. Valuation of Property, Plant and Equipment (Key audit matter)

#### | What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements (£956.8 million; 2022/23: £934.6 million).

Refer to accounting policies in Note 1 (pages 53-64) and note 15 of the Consolidated Financial Statements.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. In 2023/24, the Council's internal valuers completed a significant programme to revalue each class of asset.

The Council also has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure. We note that the Council's previous auditors recommend that a valuation report is prepared to outline the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.

In prior years, local government auditors raised concerns that Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets and the ability to evidence the existence of infrastructure assets at the balance sheet date. The Scottish Government agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This statutory override was scheduled to end at 31 March 2024 however the Scottish Government have extended the override to 31 March 2025. The extension continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.

#### | What did we do?

Our work over Property, Plant and Equipment focussed on the following areas:

- ▶ review and appraisal of the work performed by the Council's valuer, including the scope of the work performed, their professional capabilities and the results of their work;
- ▶ sample testing key asset information used by the valuers (e.g. floor plans to support valuations based on price per square metre);
- ▶ involving EY internal specialists to challenge the work performed by the Council's valuers;
- ▶ assessing any changes to useful economic lives against the most recent valuer assessments;
- ▶ testing accounting entries have been correctly processed in the financial statements;
- ▶ sample testing transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- ▶ reviewing management's impairment assessment and assess the completeness of impairment considerations, including RAAC;
- ▶ reviewing the Council's approach to determining if any additional buildings are impacted by the use of RAAC;
- ▶ gaining an understanding of the level and nature of capital spend in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure; and
- ▶ reviewing operating expenditure for evidence of capital addition omissions.



## | Our findings

### Valuations

Early in the audit process, management explained that given the ongoing focus on the valuation of fixed assets by auditors, and the materiality and estimation uncertainty associated with valuations, the Council had continued to value 100% of assets in 2023/24, which supports the Accountancy Team's assessment of the appropriateness of valuations, but also increases the level of work required by the Council's valuers. The Council employs its own valuers within the Property and Technical Services (PATS) team. During the final audit visit, we requested a risk and materiality based sample of valuations to conduct our own testing, and selected a number to be reviewed by our valuation specialists.

We continued to experience delays in obtaining the valuation schedules for the assets subject to testing. Key working papers that we would expect to be presented and considered by management as part of a robust valuation process were not available at the start of the audit.

Our testing continued to identify errors within valuations, the most material being in the valuation of Eastwood High School, the Council's internal valuers adopted the Modern Equivalent Asset valuation approach to determine the floor area to use in the valuation workings. This resulted in a decrease in value of £33m in this asset from 2022/23. This methodology reduced the area of the school despite the reported status of the school being over capacity. We did not deem this valuation approach to be appropriate, or in line with the internal valuers' methodology applied to other schools.

As a result, we identified that Eastwood High School was understated by £24.3 million.

As part of our work in 2023/24, we assessed the status of management action against the recommendations that we made in 2022/23. Two of the three were completed as planned (refer to Appendix H). However, we highlight in Appendix E that further work is required to respond to PY Recommendation 1. While management issued valuation instructions to the internal experts outlining the information required as part our audit and highlighting the importance of adhering to the principles of the CIPFA Code of Accounting Practice, we continued to experience significant delays in obtaining this information.

In our view, there continues to be insufficient challenge of these valuations by management.

**Recommendation 1:** Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided.

**Recommendation 2:** Management should give sufficient consideration to condition reports for fixed assets to ensure that alongside the age and obsolescence adjustment, any additional adjustments for the current condition of the asset is considered and appropriately applied.

### Nil Book Value assets

As part of our existence testing on assets, we selected a sample of assets that have been depreciated to a nil net book value.

We identified that the majority of the sample could not be sufficiently reconciled to the information held on the fixed asset register, due largely to the aged nature of the assets. We have therefore identified a presentational difference to reflect the disclosure implications. However, we noted two wider issues as a result of this testing (refer to Recommendation 3).

## Our findings continued

**Recommendation 3:** Management should review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition, a review should be undertaken of the depreciation policy to ensure that asset lives are appropriate for each class of asset.

### Infrastructure Assets

Our work over Infrastructure Assets focussed on the following areas:

- ▶ assessing whether infrastructure additions have been recorded in sufficient detail to enable verification of the underlying physical asset
- ▶ sample testing infrastructure assets to determine their existence at 31 March 2024; and
- ▶ review of the depreciation policy for infrastructure assets and ensuring it remains appropriate and in line with CIPFA guidance.

Management continued to apply the statutory override in respect to the disclosure of gross cost and accumulated depreciation in 2023/24.

**Recommendation 4:** Management should ensure that they are sufficiently prepared for the expiry of infrastructure asset statutory override, with the expectation that information deficits are addressed to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements.

### Common Good Assets

In May 2023, the Local Authority Accounting Scotland Accounts Advisory Committee (LASAAC) issued updated guidance on accounting for Common Good Assets. LASAAC note that there is a requirement to maintain asset registers for all Common Good assets under the Community Empowerment Act 2015. However, previous assessments by LASAAC have noted that problems may have arisen over time as a likely consequence of:

- ▶ the historic nature of the Common Good which may encompass assets which are more than 100 years old; and
- ▶ there was no requirement for local authorities in Scotland to maintain formal asset registers until 1994.

As a result of the level of public interest in Common Good Assets, we set a lower testing threshold for our work. There were no findings in relation to Common Good Assets in 2023/24.



## Our conclusions

- ▶ We identified two material misstatements in relation to the valuation of property, plant and equipment in Appendix F, and we have identified three recommendations for future years, and a further outstanding recommendation from 2022/23.
- ▶ While there was no disagreement during the course of the audit over any accounting treatment, we continued to experience delays in obtaining appropriate audit evidence for valuations.

## Valuation of pension assets and liabilities

### Audit requirements

The Council's net pension asset, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2024 the unaudited financial statements disclosed a nil asset in line with the asset ceiling calculation provided by the scheme actuary (2023: *net asset of £131.9 million*).

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our findings

Accounting standards place a limit on the amount of pension surplus that can be included as an asset on an organisation's balance sheet. A council cannot show an asset on its balance sheet relating to a defined benefit pension scheme which exceeds the economic value it is likely to derive from the pension scheme. The amount that can be included as an asset is therefore restricted to the surplus which can be returned to the Council by way of refunds or reductions in future contributions. This restriction is known as the "asset ceiling". As part of our audit procedures, we requested that the Council obtain an asset ceiling report by its actuaries. Our actuarial specialists reviewed the asset ceiling report and were satisfied that it was materially correct.



### Our conclusions

- ▶ We engaged specialists to support our work on the reasonableness of the underlying assumptions used by the Council's actuary.
- ▶ We undertook procedures to ensure that the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- ▶ We assessed the reasonableness of the underlying data used to inform the triennial valuation by performing testing of membership data.
- ▶ We considered the findings of the appointed auditor of the Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2024 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

## Valuation of PFI/PPP Liabilities

### Audit requirements

The value of PFI/PPP liabilities represent significant balances in the Council's financial statements with the Council holding 5 different contracts. Accounting for these contracts includes a number of complexities ensuring the financial models reflect any contract amendments and inflationary uplifts.

Within the 2023/24 financial statements, the Council holds £68.1 million in respect of PFI/PPP contract liabilities (2022/23: £73.5 million). Refer to accounting policy in Note 1 (page 63) and note 36 of the Consolidated Financial Statements.

### Our findings

Our procedures included:

- ▶ reviewing the contractual agreements for each PFI/PPP asset and confirm any contract amendments have been appropriately reflected within the liability valuation;
- ▶ ensuring that the accounting models have been appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments;
- ▶ testing accounting entries have been correctly processed in the financial statements;
- ▶ reviewing financial statement disclosures to ensure commitments are appropriately disclosed.



### Our conclusions

- ▶ Based upon the audit procedures performed, we have concluded that PPP/PFI liabilities have been appropriately valued in accordance the CIPFA Code of Practice on Local Authority Accounting in the UK 2023/24 and IFRIC 12 Service Concession arrangements.

## Implementation of IFRS 16

### Audit requirements

CIPFA has confirmed that there will be no further delay of the introduction of the leases standard IFRS 16 to local government accounting. The standard must be adopted by 1 April 2024 at the latest.

Under the key changes, assets being used by the authority under operating leases are likely to be capitalised along with an associated lease liability.

Lease liabilities and right of use assets will be subject to more frequent remeasurement.

The 2023/24 Statement of Accounts is required to disclose the impact the initial application of IFRS 16 is expected to have on the authority's financial statements.

### Our findings

Our procedures included:

- ▶ Review and comment upon the disclosures that the Council had made within the draft financial statements; and
- ▶ Consideration of the process undertaken to quantify the impact of the revised standard on the Council's financial statements.

Based on our work, we agreed with management's conclusion that the Council is not yet able to quantify the impact of IFRS 16 at the date of approval of these accounts.

Work is underway with the Council's external advisors to identify and review all lease arrangements against the requirements of IFRS 16. Until this exercise is finalised there could be material changes to the potential impact. On this basis no quantification of the potential impact has been provided at this stage.

**Recommendation 5:** As this is required to be implemented by financial year 2024/25, the Council should ensure that each class of lease is assessed to comply with the standard.



### Our conclusions

- ▶ Management must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner, and prepare an accounting paper to set out the extent of any changes.

## Going concern

### Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the pressure on public finances in Scotland, the ongoing cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability.

Management's going concern assessment and associated disclosures cover the 12 month period following approval of the financial statements, to September 2025.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the Council has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Council's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ The completeness of factors considered in management's going concern assessment.
- ▶ The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.



### Our conclusions

- ▶ We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the Council and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council.



## 4. Best Value and Wider Scope Audit

### Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

### Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management.
- ▶ Financial sustainability.
- ▶ Vision, Leadership and Governance.
- ▶ The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.

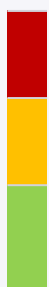
For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

### Best Value

The Code explains the revised arrangements for the audit of Best Value. The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties.

The findings from our wider scope work have informed our assessment of Best Value in 2023/24. In addition, the Accounts Commission requested that we conduct a thematic review of leadership and strategic priorities, based on a work programme provided by Audit Scotland.

### Exhibit 3: Our RAG ratings



**Red**

Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.

**Amber**

This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council as well as control and process observations made through our audit work.

**Green**

## Financial Sustainability

### Our overall assessment: Red



The Council draws upon scenario planning to prepare for the scale of the budget gaps ahead. The current projected gap for 2025/26 is £15.1 million, though uncertainties remain. The gap will be partly bridged using the remaining balance available in the Council's Service Concessions reserve (£2.3 million) but there is still a significant future budget gap to be addressed.

Longer term financial planning remains challenging, primarily as a result of uncertainties in forecasting cost and demand pressures, future settlements from the Scottish Government and the funding of pay rises. The Council recognises the need to return to multi-year budgets when this is possible.

### The pressure on public finances in Scotland continues to increase

Scotland's public services are facing unprecedented challenges. In August 2024, the Scottish Fiscal Commission published their latest [Fiscal Update](#), and noted that the Scottish Government is now facing a challenge in balancing its budget. The extent of these challenges was evidenced in August 2024 when emergency controls were put in place to restrict spending in 2024/25. The pressure on spending has increased with public sector pay offers in Scotland now higher than the pay policy published in May 2024, alongside significant uncertainty on the level of funding the Scottish Government will receive from the UK Government ahead of the UK Budget.

In May 2024, the Accounts Commission published a budget briefing summarising key issues arising from analysis of 2024/25 budgets which were agreed by Scotland's 32 councils.

A combined revenue budget of £16.6 billion was reported by councils' for 2024/25. Changes were made to the revenue funding from Scottish Government, taking cognisance of the commitments of the Verity House Agreement.

The Agreement (signed in June 2023) aims

to develop a more collaborative approach to delivering three shared priorities:

- ▶ Tackling poverty;
- ▶ Just transition to net zero; and
- ▶ Sustainable public services.

This resulted in an increase in the revenue settlement for 2024/25 due to the Scottish Government including funding within the baseline general revenue grant which was previously ring-fenced or transferred in year from other portfolios. However, the increase in the general revenue grant is largely directed towards the delivery of Scottish Government policies or to support previous pay awards, rather than an increase in available funding for councils to use at their discretion.

At the time of setting their budgets, councils identified a total budget gap of £585 million, including East Renfrewshire Council's share of £12 million. Councils are facing an estimated cumulative budget gap of £780 million by 2026/27.

### Ongoing uncertainties impact the Council's ability to make robust financial plans

Since the impact of the pandemic, Council officers have made clear that they would like to return to the previous good practice (last possible in 2020) of developing multi-year budgets to support financial, workforce and asset planning.

Continuing uncertainty for both the Scottish Government and local government budgets means that the impact on the finances available is very difficult to predict. One year budget settlements from the Scottish Government, and the late settlement of pay awards mean that accurate forecasting remains extremely challenging.

The Council plans to develop a three year Revenue Budget for the period 2025-28, subject to multi-year government data availability.

**Recommendation:** The Council’s planned action aligns with the recommendation that we made in 2022/23, refer to Appendix E, PY Recommendation 4.

**Medium Term Financial Planning is based on assumptions and current estimates**

The Council continues to prepare an outline revenue financial plan (the most recent, from February 2024, covers the period 2024-2030).

This noted that the Council had expected to receive three year settlement figures from the Scottish Government both in December 2022 and 2023.

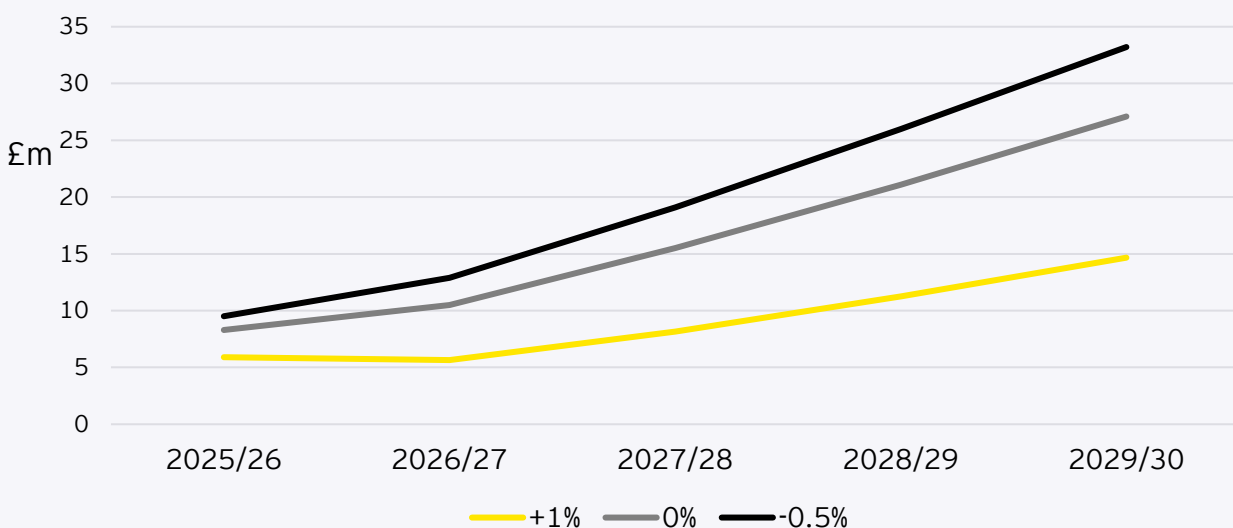
Alongside the outline revenue plan, the Council prepares three year financial plans as part of the Outcome Delivery Planning process.

Exhibit 4 highlights that the Council draws upon scenarios and assumption modelling to plan for budget gaps. The Council’s forecasting is based on a medium scenario, of flat cash settlements from the Scottish Government, and is informed by the most recent understanding of policy decisions.

**The Council must bridge a budget gap of £15.1 million in 2025/26**

At the time that the revenue budget was set in February 2024, the Council estimated that gross budget gaps for 2025/26 and 2026/27 were £15.1 million and £5.1 million respectively, before the application of any new savings, drawdown from

**Exhibit 4: The Council uses a range of scenarios to inform financial modelling. The funding gap over the period to 2029/20 ranges from £14.6 million to £33.2 million.**



reserves or increases in Council Tax. However, significant uncertainties remain including:

- ▶ The level of funding made available to local government from the Scottish Government;
- ▶ Any further impact of demographic change
- ▶ The delivery of planned savings (any unachieved savings will add a recurring pressure to future years);
- ▶ The impact of demand pressures on the Council's partner, East Renfrewshire Integration Joint Board.

As Exhibit 5 outlines, the Council was able to bridge the budget gap in 2024/25 using:

- ▶ Use of reserves of £5.8 million, including £5 million of the resources allocated within the service concessions reserve;
- ▶ Savings of £3.1 million; and

- ▶ Additional income from the Scottish Government to fund the Council Tax freeze (£3.15 million).

The Council's approach to public consultation and early consideration by the cross-party Budget Strategy Group meant that £2.1 million of savings had been approved prior to the 2024/25 budget.

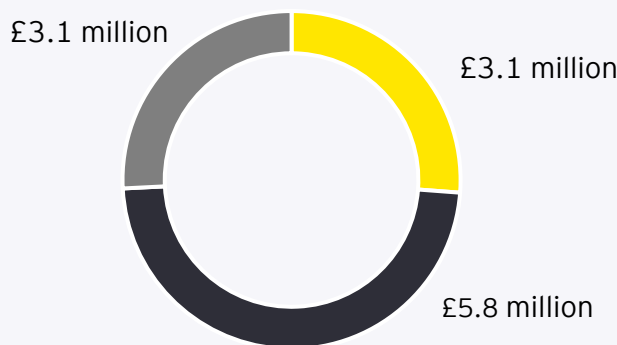
Similar plans are in place to secure early savings in advance of the 2025/26 budget, including £0.5 million approved to date by the Council.

**The Council's reserves balances fell in 2024/25, in line with the budget strategy**

The Council took advantage of fiscal flexibilities available to local government to secure one-off benefit of £14.8 million to the reserves position in 2022/23.

The restructuring of the liability held in the

**Exhibit 5: The Council balanced the 2024/25 budget using £5 million of financial flexibilities and £3.1 million savings**



- Council Tax freeze funding
- Use of reserves
- Approved savings

Council's Balance sheet for its five PFI/PPP service concession arrangements over the lives of the assets instead of the lives of the contracts, allowed the Council to create a specific service concessions reserve to manage future budget gap pressures.

Exhibit 6 highlights that £7.5 million of this fund was used in 2023/24 to mitigate the impact of the flat cash settlement. The fund is expected to be fully used by March 2026, bridging around £2.3 million of the gap in 2025/26.

The Council also used most of the remaining Covid-19 funding in 2023/24 and has committed plans for the remaining balance of £1.8 million.

As in prior years, operational underspends were used to replenish reserves and while the Council's reserves fell by £10.3 million overall, the unearmarked General Reserves increased by £0.6 million, to £7.3 million.

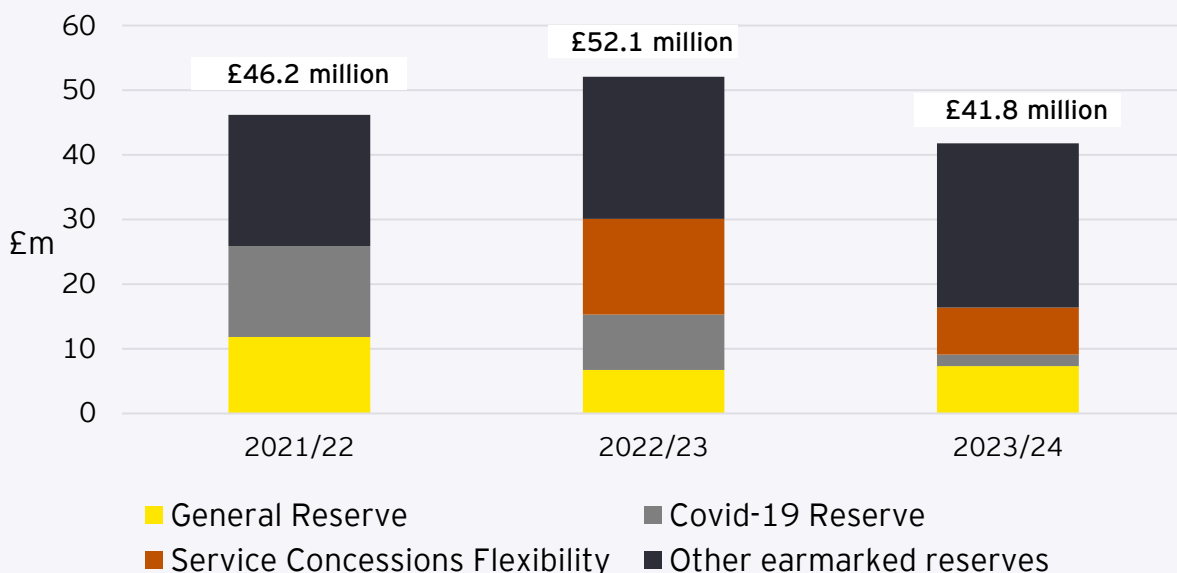
This represents 2.3% of the Council's annual budgeted net revenue expenditure and is within the target level set in the Council's Reserves Policy (February 2024).

**The Council continues to set aside balances to respond to pressures in future years**

Like many other Scottish local government bodies, the Council will benefit from a reduction in employers superannuation costs in 2024/25 and 2025/26 as a result of current surpluses within the Strathclyde Pension Fund local government pension scheme.

The employer contribution rates will fall from 19.3% in 2023/24 to 6.5% for two years, before returning to 17.5% in 2026/27. This results in a "windfall" where costs are lower than prior years, estimated at £6.3 million in each year.

**Exhibit 6: Reserves balances decreased by £10.3 million during 2023/24 as a result of the application of service concession financial flexibilities**



The Council's 2024/25 budget outlines plans to take advantage of the opportunity presented by the reduced pension rates to establish a new Investment in the Future reserve to provide future benefits.

The Council has set clear criteria for the use of the fund:

- ▶ Proposals should be sustainable (i.e. there must be an exit strategy);
- ▶ Proposals should not reverse any previously agreed savings;
- ▶ Proposals should be aligned to the Council's Strategic Plan; and
- ▶ Projects should support Spend to Save (pay for themselves) or should support investing in and developing our people.

The Cabinet considered initial proposals in May 2024, and supported the use of the fund to:

- ▶ Support East Renfrewshire Health and Social Care Partnership to respond to their financial gap (£0.7 million);
- ▶ Closing the poverty related attainment gap (£0.3 million)
- ▶ The introduction of parking charges and fleet utilisation (£0.4 million); and
- ▶ The creation of a reserve to invest in developing the workforce (£0.4 million).



## Financial Management



### Our overall assessment: Green

The Council recorded a deficit of £10.3 million, reflecting an underspend of £6.9 million within operational services, mainly as a result of one off movements. This continues a trend of significant underspends, beyond the level reported to elected members throughout the financial year.

In 2023/24 the Council elected to draw upon £10.3 million from reserves to balance the financial position, including the planned use of the Service Concessions reserve. Use of non-recurring measures to balance the budget is not sustainable.

### Financial Outturn

The Council recorded a deficit on the provision of services of £10.3 million in 2023/24 before the budgeted application of reserves (£10.2 million). The performance was broadly in line with the approved budget, but reflects significant movements within individual reserves:

- ▶ The unbudgeted use of £6.8 million of Covid-19 funding; which was offset by
- ▶ £6.9 million of operational underspends within services, which allowed transfers to the Repairs and Renewals Fund (£1 million), Capital Reserve (£1 million) and General Fund (£4.9 million).

The operational underspend was largely achieved as a result of one off movements including:

- ▶ improved income, including interest earned on temporary investment balances of £2.5 million;
- ▶ the recovery of £2.7 million from a successful VAT appeal dating back to 2006;
- ▶ underspends in utility and catering costs totalling £2.7 million.

These underspends were partially offset by additional homelessness costs (£0.6 million) and an unplanned contribution to the East Renfrewshire Integration Joint Board (£0.9 million).

### As reported in prior years, the outturn was better than forecast throughout the financial year

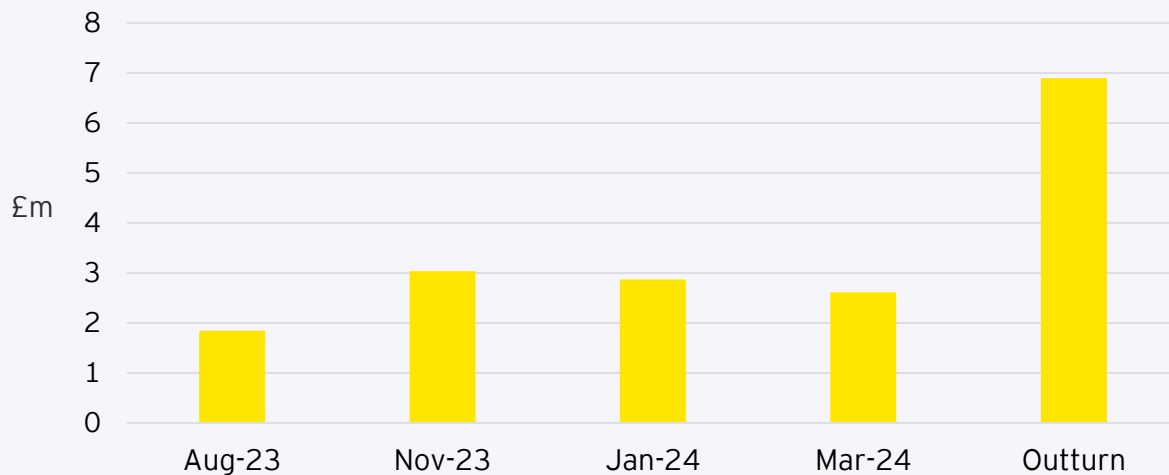
The 2023/24 financial outturn continues the trend of significant underspends noted in previous years. In 2022/23, we recommended improvements to budget monitoring and forecast reporting arrangements (refer to Appendix E, PY Recommendation 6).

The Council's approach to budget monitoring ensures that actual spend is compared to the approved budget, including the confirmed income at that date. During the financial year, additional income sources may become available but this income is not reflected until outturn reporting.

While this means that the budget monitoring reports remain prudent, and there is reduced risk of an unexpected overspend position, it does mean that the financial outturn may be better than elected members could reasonably expect throughout the financial year.

Exhibit 7 highlights that forecasting projected an underspend against service budgets throughout the financial year, but the level of underspend grew significantly between reporting in March and June 2024.

### Exhibit 7: The level of projected overspend increased by £4.3 million between reporting in March 2024 and the outturn report in June 2024



#### Openness and transparency in financial reporting

The Accounts Commission's publication [Local Government budgets 2024/25](#), in May 2024 noted there are significant variations in the way that financial information is presented across councils in Scotland. To enhance accessibility and transparency, the Commission set out their expectations that all councils will present some fundamental, good practice information within publicly available budget papers.

The information that the Commission expects to see set out clearly includes:

- ▶ the annual revenue budget, comprising funding and income, prior to savings and other 'bridging' actions;
- ▶ the associated budget gap, prior to 'bridging' actions such as savings and use of reserves;
- ▶ the savings plan, clearly setting out the split between recurring and non-recurring actions;
- ▶ projected revenue budget gaps, both annual and cumulative; and

- ▶ the assumptions used in calculating projected budget gaps.

We were satisfied that the publicly available budget papers for East Renfrewshire Council addressed each of the Commission's expectations.

#### The Council reported lower expenditure than planned across its capital programmes in 2023/24

Councils across Scotland have noted the impact of the pandemic and the war in Ukraine on the delivery of capital programmes.

The Council's total capital investment was £46.5 million in 2023/24, including £41.4 million in the General Fund and £5.1 million in the Housing Revenue Account.

The initial budget for the General Fund Capital Plan was £72 million. There were variations within the planned programme, including school works where works need to be programmed around school holidays. The Council also reported throughout the year that construction costs are rising faster than general inflation due to shortages of materials and labour and also due to bidders factoring in additional risk in their pricing.

Based on recent tendering experience, frequently the returned prices cannot be accommodated within the existing budget provision.

In a number of cases, this has led to project delays, most noticeably at the start of projects.

### **| Capacity within the finance team**

In July 2024, the Chair of the Accounts Commission published a [briefing](#) on the importance of the role of Chief Finance Officers (CFOs) within local government in Scotland.

The Chair notes that as the challenges across the public sector intensify, the role of CFOs is increasingly complex. The CFO is expected to take an active leadership role, not just within the finance function, but across the organisation as a whole.

The Accounts Commission ask us to highlight if we have any concerns about the capacity and skills available to local government finance teams. They look for reassurance that the CFO is able to bring their influence to bear on all significant business decisions, so that the immediate and long-term implications on financial sustainability and stability are well understood.

The briefing recognises that when budgets tighten often corporate, or 'back office' functions face initial reductions, to avoid any immediate impact on front line services. Against this background, it is important that in the pursuit of back-office efficiencies, the effectiveness of the financial function is not put at risk.

As a result, the Commission also ask us to comment on whether the CFO is supported by a finance function that is resourced to be fit for purpose.

In 2022/23, we highlighted that the Council had identified a weakness in relation to the impact of retirements and the corresponding loss of experience and organisational knowledge. When the current CFO announced her plans to retire, we note that the Council commenced recruitment in sufficient time to allow a handover period of just under three months. We consider this to be good practice and has allowed the new postholder to continue to develop budget planning, and direct engagement with the Budget Strategy Group.

We also noted in 2022/23 that while the Council has an experienced finance team, there is a risk of key person dependence due to the relative size and multiple responsibilities of members of the team. We continued to observe this in 2023/24, but we noted as part of our work on Best Value (refer to page 40) that plans are in place throughout the Council to upskill teams and reduce the risk of dependence on one person. In 2023/24, the Accountancy team was impacted by turnover in a number of key posts, but recruitment was successful in year and overall the quality of working papers and support that we received from the team was good.

## Vision, Leadership and Governance

### Our overall assessment: Green



The Council has recently approved the Community Planning Partnership's Strategic Plan, "A Place to Grow" and will now refresh the underpinning strategies and plans to align to three new priority themes.

Governance arrangements are established and the Annual Governance Statement concludes that they worked well throughout 2023/24. During the year, the Council's internal auditors had to delay planned areas of work as a result of significant capacity constraints, but successfully recruited to team vacancies by March 2024.

### The Council has updated its Strategic Plan, A Place to Grow

In September 2024, the Council will consider "A Place to Grow", refreshed the long term strategic vision for East Renfrewshire.

It has drawn upon significant stakeholder engagement and work with partners to refine and refresh the vision for the next 10 to 15 years and has replaced the 5 previous strategic outcomes to three clear priority themes:

- ▶ Children and Young People flourish
- ▶ Communities and Place thrive; and
- ▶ We all live well.

Once approved, further work will be undertaken to review each underpinning strategy and plan to align with the priority themes.

### The Annual Governance Statement demonstrates that the Council has the key requirements for good governance in place

The key aspects of the Council's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements.

We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Council's arrangements in the period to 31 March 2024.

The Local Authority Accounting (Scotland) Regulations 2014 require that a review is undertaken, at least once in each financial year, of the effectiveness of the system of internal control. The Council's Chief Financial Officer has concluded that reasonable and objective assurance can be taken that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken for the year to 31 March 2024.

Her assessment is based on Statements of Assurance from Directors and Chief Executives within the Council and Culture and Leisure Trust. Two exceptions were raised within the Certificate of Assurances, including breaches of the employee codes within the Environment Directorate.

The Delivering Good Governance Framework notes that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance. In many Councils, the governance statement is considered as a separate report by the

Audit Committee equivalent prior to finalisation of the draft financial statements. This allows separate scrutiny alongside key governance documents such as the Internal Audit Annual Report.

While the Annual Governance Statement was included within the draft financial statements, good practice would allow separate consideration as a standalone item.

**| Recommendation 6:** The Annual Governance Statement should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting.

**| The Council concluded that its internal control arrangements remain effective**

Within the Annual Governance Statement, the Council has concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

The Council uses the Annual Governance Statement to explain the actions that will be taken in response to weaknesses, and reports on the progress against actions agreed in prior years.

The statement noted the impact in-year of vacancies within the Council's internal audit team. Eight internal audit reviews that were planned to be completed were required to be deferred into 2024/25.

Each review was approved by the Audit and Scrutiny Committee. While each of the vacancies has now been filled, there will be a delay before the audit cycle returns to normal.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an assessment of the financial control environment as part of our planning work and updated our understanding as part of the year end audit. Following the revisions to the ISA (UK) 315, our audit methodology included a greater focus on the use of IT in the system of internal control. Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the Council's financial statements.

**| Internal audit follow up recommendations to ensure that agreed actions have been implemented as planned**

The internal audit team set aside days within their programme of work to conduct follow-up audits. These seek to ensure that the recommendations previously made by Internal Audit and accepted by management have been implemented as planned.

In the period to June 2024, 7 follow up audits were completed across 4 Directorates. Internal audit either accept

the recommendations as implemented, or make new recommendations for action.

Exhibit 7 highlights that around 66% of the actions followed up by internal audit (a total of 124 recommendations) were considered to be complete.

However, 42 new recommendations were made, including 18 within the Environment Service.

**Exhibit 8: Internal audit’s follow up of recommendations noted that around two-thirds were completed as planned**



■ Completed as planned    ■ New recommendations

Rating of internal audit's new recommendations:	
High	3
Medium	13
Low	26

## Use of resources

### Our overall assessment: Green



The Council has a well-developed approach in place to monitor and report on key areas of performance, and was able to demonstrate key areas of improvement in 2023/24 within both service performance and in responding to the Strategic Outcomes within the Community Plan. National benchmarking data shows that the Council performs above the Scottish average in 64% of indicators.

The Council has benefited from significant City Deal investment and continues to monitor progress against strategically important projects.

### The Council regularly reports on its performance

The Council has a comprehensive Performance Framework in place to report on performance against the Strategic Outcomes within the previous Strategic Plan. The annually-refreshed Outcome Delivery Plan provides a direct link to the priorities within the Community Plan.

The Annual Performance Report for 2023/24 will be published in September 2024, after normal timescales were impacted by the timing of the general election.

The Council considers a 6-monthly strategic performance report mapped to the Strategic Outcomes and updating on the Outcome Delivery Plan.

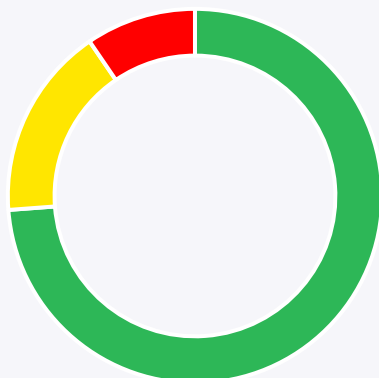
This includes an assessment of

performance against targets, along with trend information and a description from the service including reasons for any slippage against targets.

Exhibit 8 highlights that in 2023/24, the Council assessed progress as “Green” for 74% of the indicators where targets were set within the Outcome Delivery Plan. Key achievements include:

- ▶ The Council's operational emissions reduced by 8% in 2022/23;
- ▶ The Council exceeded the target to build 270 new affordable homes over the period 2017-23 (413 were completed in partnership between the Council and its social housing partners); and
- ▶ The target 65% of Citizens' Panel respondents reported that they are satisfied with services.

### Exhibit 8: The Council reported that it delivered 74% of targets against the Strategic Outcomes within the Outcome Delivery Plan in 2023/24



#### Definition within the Outcome Delivery Plan

- On target (n = 31)
- Target still to be achieved (n = 7)
- Off target (n = 4)



## The Council reports on overall benchmarking with other Scottish authorities

In May 2024, the Council's Cabinet considered the results of the 2022/23 Local Government Benchmarking Framework (LGBF) exercise. This presents a suite of measures of performance, comparing the Council's outcomes to comparators across Scotland.

In August 2024, the Accounts Commission reinforced their view of the importance of the LGBF. They noted that the latest LGBF annual report shows that the pace of improvement in councils is slowing, with 2022/23 the first year that the rate of decline in indicators has overtaken the rate of improvement. This is against a backdrop of growing financial, demand and workforce pressures.

Exhibit 8 highlights that East Renfrewshire's performance exceeded national averages for 64% of the indicators in 2022/23. For Children's Services, the Council continues to perform at the highest level ranking 1st or 2nd nationally across all measures. The indicators where the Council was ranked as

first include:

- ▶ The proportion of pupils entering positive destinations (98.7% compared to Scottish average of 95.9%);
- ▶ The school attendance rate (93% compared to Scottish average of 90.2%);
- ▶ The participation rate for 16-19 year olds (97.7% compared to Scottish average of 94.3%); and
- ▶ The cost per primary pupil place.

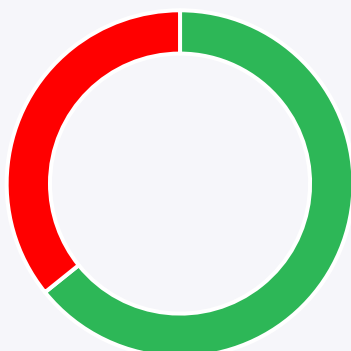
Other service areas that significantly exceed the national average performance include:

- ▶ The proportion of Adult Care Service graded 'good' or better (87% compared to Scottish average of 75%); and
- ▶ Rates of readmission to hospital within 28 days per 1,000 discharges improved from 76.8 to 67.8. This was better than the Scottish average of 101.7.

There were three indicators where the Council ranked as 32<sup>nd</sup> out of Scottish councils:

- ▶ Gross value added per capita (£11,472 against an average of £27,039).

### Exhibit 8: East Renfrewshire's performance exceeded Scottish averages for 64% of indicators in 2022/23



■ Green ■ Red

#### Definition within the Local Government Benchmarking Framework

- Performance significantly exceeds Scottish average (n = 5)
- Performance compares unfavourably to Scottish level performance (n = 4)

- ▶ The proportion of procurement spend spent on local enterprises (11.9% against Scottish average of 29.6%); and
- ▶ the weekly cost of "children looked after" in residential services (the Council's average weekly cost is £8,742 against an average of £4,804).

### **The Council's significant City Deal investments made progress in 2023/24**

The Council has benefitted from a programme of Glasgow City Region City Deal projects that are intended to stimulate economic growth in East Renfrewshire. The projects are expected to improve transport links, increase leisure opportunities, support business development, create jobs and unlock residential land.

East Renfrewshire's City Deal programme (M77 Strategic Corridor) will result in a total investment of £44 million comprising £38 million from the Scottish and UK Governments and co-funded by the Council's £6 million capital contribution.

The Council considered update reports on the City Deal projects throughout 2023/24. The status of the projects at August 2024 was:

- ▶ Aurs Road Improvements, underway;
- ▶ New Rail Station at Barrhead South, estimated to begin in 2025;
- ▶ Country Park Visitor Facilities; for which initial feasibility and site investigations have been undertaken;
- ▶ Levern Works - land remediation (Project is complete)

- ▶ The Greenlaw Works (Completed); and
- ▶ Balgraystone Rd improvements (Completed).

The Aurs Road project aims to improve local connections between Newton Mearns and Barrhead and will support visitor facilities at the Dams to Darnley Country Park.

The Council's investment in this project is limited to £1.72 million. Most of the City Deal funding is made up of £5.5 million in contributions from the Scottish and UK governments. The rest of the funding is provided by Transport Scotland through Sustrans' Places for Everyone programme, the Scottish Government's Bridge Fund and developer contributions from new house building projects in the area.

The road has been closed since January 2024 and the original anticipated re-opening date was scheduled for December 2024. In the course of the ongoing works, some issues have been encountered with ground conditions and contractors have therefore sought to mitigate delays on site, as far as possible, by continuing to work around the impacted areas. The City Deal team is working alongside project managers and contractors to understand the impact that the factors identified will have on the programme.

At this stage, we understand that any additional costs emerging as a result of the difficulties will be met from the City Deal programme.

## Best Value

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our consideration of the strategic planning arrangements in 2022/23 concluded that there is a vision in place and that longer term strategic planning is based on community engagement and is aligned with community planning partners. The revised Community Planning Partnership strategic plan, "A Place to Grow" reflects the significant engagement with stakeholders and has recently been approved.

The thematic review in 2023/24 considered the Council's arrangements for workforce planning and innovation. The Council has developed a People Strategy to support the delivery of the new strategic plan and work towards becoming a learning organisation.

### Thematic review

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. This work includes reviews based on annual thematic Best Value topics prescribed by the Accounts Commission (the Commission).

For 2023/24, the Commission directed auditors to report on workforce innovation. Our key conclusions against the work programme set by the Commission are outlined in Exhibit 9.

### Basis for our assessment

As auditor to the Council, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities.

In forming this judgement, we draw upon the thematic Best Value work and our wider planning work, alongside the work conducted to support our wider scope responsibilities, and specifically:

- ▶ Documentation review and fieldwork interviews with senior officers;
- ▶ Our consideration of the Council's financial planning processes including the most recent Medium Term Financial Plan and budget monitoring reports;

- ▶ Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- ▶ Our assessment of performance reporting to the Council; and
- ▶ The Council's revised Strategic Plan, "A Place to Grow" and priority themes.

### The Council can demonstrate that it has the key elements needed to deliver Best Value in place

The Community Planning Partnership has reviewed and updated its longer-term strategic planning based on engagement with communities and partnership working with key stakeholders. A further programme of work is planned to fully refresh the frameworks that will support delivery, including a review of current community planning structures and plans. The Council has a Performance Framework in place and the Council compares well to others within the Local Government Benchmarking Framework. As with other Councils across Scotland, the financial position is increasingly challenging. The requirement to make savings in a way that protects the key priorities of the Council is likely to become very difficult.

## Exhibit 9: The key findings from our Best Value Thematic Review

### Summary of findings

- ▶ The Council refreshed its approach to workforce planning in 2023/24 to support the development of its strategic planning framework. The revised Community Planning Partnership's strategic plan, "A Place to Grow" has recently been approved. As part of the updated arrangements, a People Strategy has been developed to support the Council's aim to become a learning organisation.
- ▶ The Council has made recent improvements to workforce planning arrangements within service improvement planning documentation. This process supports the identification and understanding of specific risk areas within services, and allows escalation to the Organisational Development Board.
- ▶ The Corporate Management Team maintains oversight over workforce planning and the development of key skills and capabilities to support wider strategic planning via the Organisational Development Board. We concluded that there is scope to further improve elected member understanding of key risks and performance in the workforce.
- ▶ A Digital Transformation Programme is in place, with Workforce Productivity one of three priorities. The Council has delivered a number of projects under the programme to date including automation projects, the development of management dashboards, significant system changes and upgrades, and the roll-out of hand-held devices for frontline staff, including those in social care. Main Council offices are being refurbished to support modern, flexible, digital working.
- ▶ Like many other local authorities, the Council experiences recruitment challenges across key service areas including social care, facilities management, project management and digital roles.

### Areas of Good Practice

- ▶ The Council has a well-established leadership development programme to support succession planning across the organisation.
- ▶ The Council has developed a series of internal management information dashboards which are available for managers on the Microsoft Teams platform.
- ▶ A Health and Wellbeing programme of work which includes training, health checks and financial wellbeing courses for members of staff.

### Our Recommendations

- ▶ The Council should consider how best to broaden awareness of key workforce planning issues amongst elected members.
- ▶ The 2025/26 budget process needs to address the funding of the digital transformation programme to continue to enhance the efficiency and effectiveness of services.
- ▶ The Council should take steps to improve participation rates in Quality Conversations across the Council.
- ▶ The Council must take steps to increase the response rate to the employee survey.



# Appendices

- A** Code of audit practice: Responsibilities
- B** Independence report
- C** Required communications with the Audit and Scrutiny Committee
- D** Timeline of communications and deliverables
- E** Action Plan
- F** Adjusted and unadjusted differences
- G** Audit fees
- H** Completed prior year recommendations
- I** Additional audit information

## Code of audit practice: Responsibilities

### Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

#### Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

#### Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- ▶ Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.

- ▶ Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- ▶ Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

#### Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

## **A** Code of audit practice: Responsibilities (cont.)

### **Maintaining a sound financial position**

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ Such financial monitoring and reporting arrangements as may be specified.
- ▶ Compliance with any statutory financial requirements and achievement of financial targets.
- ▶ Balances and reserves, including strategies about levels and their future use.
- ▶ How they report to deal with uncertainty in the medium and longer term.
- ▶ The impact of reporting future policies and foreseeable developments on their financial position.

### **Responsibilities for best value, community reporting and performance**

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- ▶ The quality of its performance of its functions.
- ▶ The cost to the body of that performance.
- ▶ The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ Efficiency.
- ▶ Effectiveness.
- ▶ Economy.
- ▶ The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.



### Internal audit

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

### Appointed auditors' responsibilities

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ Audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- ▶ Satisfy themselves, by examination of the accounts and otherwise, that:
  - ▶ The accounts have been prepared in accordance with all applicable statutory requirements.
  - ▶ Proper accounting practices have been observed in the preparation of the accounts.
- ▶ The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- ▶ Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

## B Independence report

### Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, is disclosed.

### Required Communications

#### Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

**We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of East Renfrewshire Council.**

## C Required communications

We have detailed below the communications that we must provide to the Council.

		Our reporting to you
Required communications	What is reported?	When and where
<b>Terms of engagement</b>	Confirmation by the Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
<b>Our responsibilities</b>	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2024
<b>Reporting and audit approach</b>	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - March 2024
<b>Significant findings from the audit</b>	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>▶ Significant difficulties, if any, encountered during the audit.</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management.</li> <li>▶ Written representations that we are seeking.</li> <li>▶ Expected modifications to the audit report.</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	This Annual Audit Report - September 2024.

## C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
<b>Going concern</b>	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Annual Audit Report.
<b>Misstatements</b>	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Corrected misstatements that are significant.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	This Annual Audit Report.
<b>Fraud</b>	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ A discussion of any other matters related to fraud.</li> </ul>	This Annual Audit Report.
<b>Internal controls</b>	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report.

## C Required communications (cont.)

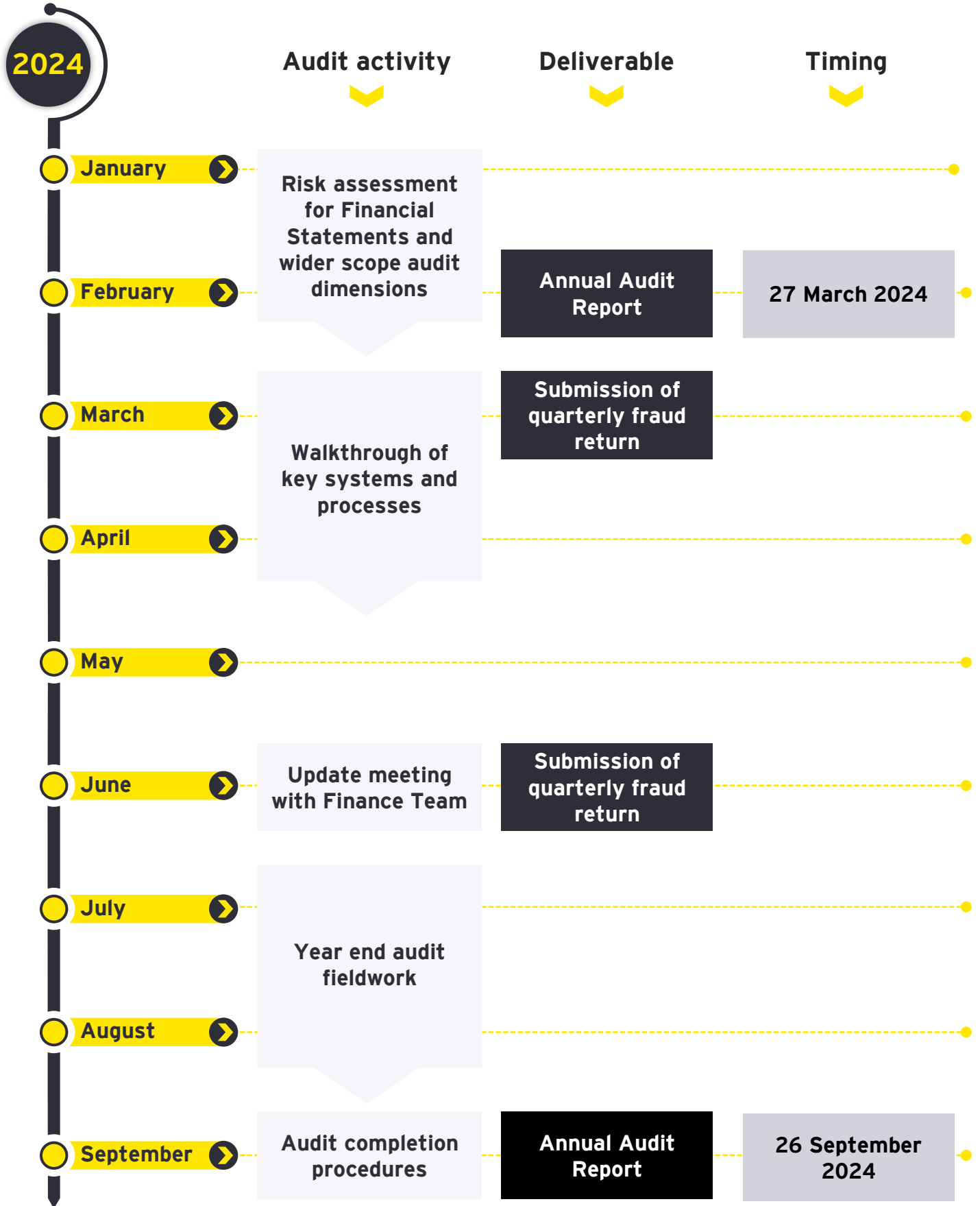
		Our reporting to you
Required communications	What is reported?	When and where
<b>Related parties</b>	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Annual Audit Report.
<b>Independence</b>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Annual Audit Plan and this Annual Audit Report.
<b>External confirmations</b>	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations.</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	This Annual Audit Report.
<b>Representations</b>	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report.
<b>Best value and wider scope judgements and conclusions</b>	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report.

## C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
<b>Consideration of laws and regulations</b>	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li> <li>▶ Enquiry of the Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.</li> </ul>	This Annual Audit Report.
<b>Material inconsistencies and misstatements</b>	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report.
<b>Auditors report</b>	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report.
<b>Group matters</b>	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components.</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components.</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted.</li> </ul>	This Annual Audit Report
<b>Key audit matters</b>	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report.



# D Timeline of communication and deliverables



## E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Consequently, management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

### 2023/24 Recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p><b>Valuation Programme</b></p> <p>As part of our initial procedures we noted that the value of one secondary school had fallen significantly since 2022/23 with no rationale provided within the supporting working papers. This was subsequently identified as a material adjustment and was subsequently amended within the financial statements.</p>	<p>Management should ensure there is a sufficient level of internal review and challenge on the valuation documentation provided.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b></p> <p>Senior Management will strengthen existing arrangements.</p> <p><b>Responsible officer:</b></p> <p>Director of Environment and Head of Finance</p> <p><b>Implementation date:</b></p> <p>April 2025</p>
2.	<p><b>Evidence of consideration of all condition surveys</b></p> <p>During testing, we noted that in some cases the rationale for obsolescence rates was unclear, leading to increased queries with internal valuers.</p>	<p>Management should give sufficient consideration to condition reports for fixed assets to ensure that alongside the age and obsolescence adjustment, any additional adjustments for the current condition of the asset is considered and appropriately applied.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b></p> <p>Management will consider and record the impact of all available intelligence relating to Fixed Assets before finalising valuations.</p> <p><b>Responsible officer:</b></p> <p>Director of Environment</p> <p><b>Implementation date:</b></p> <p>April 2025</p>

## E Action Plan continued

### 2023/24 Recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3.	<p><b>Nil book value assets</b></p> <p>As part of our existence testing on assets, we selected a sample of assets that have been depreciated to a nil net book value. We identified that the majority of the sample could not be verified to confirm the existence of the asset.</p> <p>Testing highlighted that the asset life allocated to key components such as kitchens within the depreciation policy appears to be lower than actual lives.</p>	<p>Management should review the record keeping underpinning the Fixed Asset Register to ensure it is sufficient to identify the status and location of individual assets. In addition, a review should be undertaken of the depreciation policy to ensure that asset lives are appropriate for each class of asset.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b></p> <p>Work on the Fixed Asset Register is already underway and a review of asset lives was already planned.</p> <p><b>Responsible officer:</b></p> <p>Director of Environment and Head of Finance</p> <p><b>Implementation date:</b></p> <p>March 2025</p>
4.	<p><b>Infrastructure Assets</b></p> <p>The extension of the Statutory Override continues to carry an expectation that Councils will continue to address information deficits to ensure timely adoption of future Code requirements once a more permanent solution is delivered.</p>	<p>Management should ensure that they are sufficiently prepared for the expiry of infrastructure asset statutory override, with the expectation that information deficits are addressed to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b></p> <p>Records maintained since the introduction of the legislation. Council has no information on historic movements.</p> <p><b>Responsible officer:</b></p> <p>Director of Environment and Head of Finance</p> <p><b>Implementation date:</b></p> <p>March 2025</p>

## E Action Plan continued

### 2023/24 Recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
5.	<p><b>Implementation of IFRS 16</b></p> <p>Management must implement robust systems to ensure all relevant data points, which could prompt a remeasurement or modification of the accounting entries, are captured in a timely manner. An accounting paper should be prepared to set out the extent of any changes.</p>	<p>As this is required to be implemented by financial year 2024/25, the Council should ensure that each class of lease is assessed to comply with the standard.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b></p> <p>Work is already underway.</p> <p><b>Responsible officer:</b></p> <p>Head of Finance</p> <p><b>Implementation date:</b></p> <p>March 2025</p>
6.	<p><b>Annual Governance Statement</b></p> <p>Under the Delivering Good Governance Framework, there is an expectation that the annual governance statement should be approved at a meeting of the committee with a remit including audit or governance.</p>	<p>The Annual Governance Statement should be considered as a separate item by the Audit and Scrutiny Committee at its June meeting.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p><b>Response:</b></p> <p>The Annual Governance Statement is routinely considered at the June meeting as part of the Draft Annual Accounts but will also be presented as a separate item in future.</p> <p><b>Responsible officer:</b></p> <p>Chief Executive</p> <p><b>Implementation date:</b></p> <p>June 2025</p>

## E Action Plan continued

### Outstanding 2022/23 Recommendations

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.	<p><b>Response:</b> Accountancy management will issue revised instructions to valuation staff, more clearly setting out audit requirements, so that appropriate information is available at the start of future audit.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> 31 October 2023</p>	<p><b>Partially complete:</b> Management issued instructions to valuation experts outlining the information required as part our audit and highlighting the importance of adhering to the principles of the CIPFA Code of Accounting Practice. However, significant delays were still noted in obtaining this information.</p> <p>We note that there continues to be insufficient challenge of these valuations by management.</p>
4	The Council needs to develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	<p><b>Response:</b> The Council's current medium term financial plan will be updated to ensure that it reflects appropriate costs and delivery timescales for strategic objectives for 2024/25 and beyond.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> February 2024</p>	<p><b>Ongoing:</b> We note within "Financial Sustainability" that the Council has committed to preparing three year budgets as soon as reliable information on key funding assumptions is available.</p>

## E Action Plan continued

### Outstanding 2022/23 Recommendations continued

No.	Recommendation	Management response	Our assessment of progress
6	The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.	<p><b>Response:</b> Recent outturn variance trends will be reviewed with a view to improving forecasting accuracy.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> March 2024</p>	<p><b>Ongoing:</b> The Council's outturn continued to reflect a significant operational underspend which exceeded the level reported to elected members throughout the year.</p>
7	The Council should have a workforce plan for the Finance Team which includes any training requirements and succession planning arrangements.	<p><b>Response:</b> The Accountancy Workforce Plan is contained within its Service Plan and is updated annually. The most recent restructure of the service, in December 2022, sought to broaden key staff's experience and knowledge and thereby reduce risk of single points of failure. Staff development comprises both on-the-job experience, shadowing and training.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> May 2024</p>	<p><b>Partially complete:</b> Management have evidenced that they are able to fill vacancies within the finance team as they arise. However, it is noted that there remains significant key person dependency within the team.</p>
9	The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.	<p><b>Response:</b> The Audit &amp; Scrutiny Committee is scheduled to carry out its next self assessment during 2024/25 and will ensure that this takes cognisance of the latest good practice guidance.</p> <p><b>Responsible officer:</b> Head of HR and Corporate Services</p> <p><b>Implementation date:</b> March 2025</p>	<p><b>Not yet due:</b> The Audit &amp; Scrutiny Committee are scheduled to carry out its self- assessment during 2024/25 and therefore no progress has yet been made.</p>



## E Action Plan continued

### Outstanding 2022/23 Best Value Recommendations

No.	Recommendation	Management response	Our assessment of progress
1	The Council should work to quantify the cost gap in relation to delivering net zero targets for 2045.	<p><b>Response:</b> The Council will continue to work towards the full costing of its recently agreed GTZ action plan in order to influence national funding discussions.</p> <p><b>Responsible officer:</b> Head of Housing, Property &amp; Net Zero &amp; Head of Accountancy</p> <p><b>Implementation date:</b> ongoing</p>	<p><b>Ongoing:</b> While the Council has set aside £0.2 million to prepare assessments, this will remain an area of risk.</p>
2	The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.	<p><b>Response:</b> The Council will use the detailed 3-year financial planning options and budget engagement feedback completed in 2023 to develop future years' planning on the basis of Scottish Government funding announcements to come.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> February 2024</p>	<p><b>Ongoing:</b> Refer to recommendation <a href="#">4</a>.</p>

## F Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

### Current year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
1	Note 15: Property, Plant and Equipment	<p>Valuation of Eastwood High School (Other Land &amp; Buildings) -</p> <p>Review of the valuation of Eastwood High School identified that the site had been revalued on a modern equivalent asset basis (MEA). This basis is typically used for buildings which are under capacity and therefore would not be rebuilt to the same specification. The application of actual area to the valuation results in a material audit variance.</p>	<p>Dr Land and Buildings £27,491k</p> <p>Dr Movement in Reserves £3,195k</p> <p>Cr Revaluation Reserve £(24,296k)</p> <p>Cr Education Expenditure £(3,195k)</p> <p>Cr Capital Adjustment Account £(3,195k)</p>
2	Group Balance Sheet	<p>East Renfrewshire Culture and Leisure trust are an admitted member in the Strathclyde Pension Fund. While the Trust has no intention of doing so, it has a right to recognise a pension asset on the basis that they can theoretically readily exit the scheme and obtain a refund.</p> <p>ERCLT has a net asset of £13.274m and this should therefore be recognised by East Renfrewshire Council as part of the consolidated group accounts.</p>	<p>Dr Pension Asset £15,687k</p> <p>Cr Unusable Pension Reserve (15,687k)</p>

In addition to the matters outlined above, we also identified a number of presentational differences which we reported to management including the gross up of debtors balances and the removal of nil Net Book Value assets from the Fixed Asset note. Management adjusted £25.9 million of these differences with no impact on Note 10 and the remaining £125k of differences were not adjusted on the basis of materiality.

We also identified a number of minor differences to the Remuneration Report which were adjusted by management on the basis that these disclosures are audited to a lower level of materiality than other areas of the accounts.

## G Audit Fees

### 2023/24 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2023/24	2022/23
<b>Component of fee:</b>		
▶ Auditor remuneration - expected fee	£231,960	£218,830
▶ Additional audit procedures (Note 1)	£43,528	£48,367
▶ Audit of Section 106 Trusts	NA	£8,704
<b>Audit Scotland fixed charges:</b>		
▶ Performance audit and best value	£60,900	£55,800
▶ Audit support costs	£8,450	£8,300
Sectoral price cap	(£13,320)	(£11,230)
<b>Total fee</b>	<b>£331,518</b>	<b>£328,771</b>

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

**Note 1** - During the yearend audit for 2022/23, areas of additional work were required to complete the audit, in line with the risk assessment and process set out above. These areas of work were around pension asset ceiling calculations, and asset valuation work. We anticipate additional work around pension asset recognition and subsequent asset ceiling calculations will be required going forward as a recurring area of work, given the current funding position of the SPF.

We have raised a number of recommendations in the annual audit report in relation to the Council's arrangements around asset valuation. These recommendations are important, in addition to ensuring code compliant financial statements preparation and to the reduction of additional audit time required going forward for the Council.

## H Completed Prior Year Recommendations

This appendix sets out the recommendations that were made in our prior year annual audit report, along with our assessment of progress.

No.	Recommendation	Management response	Our assessment of progress
2	The Council should ensure that the basis of valuations is in line with the Code of Accounting Practice.	<p><b>Response:</b> Valuers will operate in line with the Code of Accounting Practice.</p> <p><b>Responsible officer:</b> Head of Environment (Strategic Services)</p> <p><b>Implementation date:</b> 31 March 2024</p>	<p><b>Complete:</b> We reviewed the valuation workings and confirmed that the issues noted through our prior year work regarding the application of principles inconsistent with the CIPFA Code of Accounting Practice were addressed.</p>
3	The Council should consider its arrangements for recording common good assets against the updated LASAAC guidance	<p><b>Response:</b> Arrangements will be reviewed to ensure compliance with updated LASAAC guidance.</p> <p><b>Responsible officer:</b> Head of Accountancy/Chief Officer - Legal &amp; Procurement</p> <p><b>Implementation date:</b> 31 March 2024</p>	<p><b>Complete:</b> We reviewed the Common Good arrangements and confirmed that these are in line with updated LASAAC guidance.</p>
5	The Council should review the Reserves Policy to ensure it fully reflects its current risks and priorities	<p><b>Response:</b> Work has already commenced on the scheduled review of the Council's Reserves Policy</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> February 2024</p>	<p><b>Complete:</b> The updated Reserves Policy was approved in February 2024.</p>

## H Completed Prior Year Recommendations

No.	Recommendation	Management response	Our assessment of progress
8	There is an urgent need to respond to the current level of vacancies within the Council's internal audit team	<p><b>Response:</b> The internal audit vacancies have recently been readvertised. Should this be unsuccessful, other options will be considered</p> <p><b>Responsible officer:</b> Chief Executive</p> <p><b>Implementation date:</b> December 2023</p>	<p><b>Complete:</b> The internal audit team has filled vacancies and at 31 March 2024 was fully resourced. However, it should be noted that there will be a delay before the impacts of this will benefit the Council.</p>

### Prior year Best Value recommendations

No.	Recommendation	Management response	Our assessment of progress
3	The Council should re-establish organisation-wide arrangements for the self-evaluation of services.	<p><b>Response:</b></p> <p>Review the Council's approach to self-evaluation, ensuring a consistent approach through service planning.</p> <p><b>Responsible officer:</b></p> <p>Director of Business Operations &amp; Partnerships</p> <p><b>Implementation date:</b> September 2024</p>	<p><b>Complete:</b> Key services have completed service improvement plans following new corporate guidance.</p>

## I Additional audit information

### Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit and Scrutiny Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

- ▶ Maintaining auditor independence.

### Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## I Additional audit information (cont.)

### Audit Quality Framework/Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: [Quality of public audit in Scotland: Annual report 2023/24 | Audit Scotland](#)
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: [https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

### This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of East Renfrewshire Council for financial years 2023/24 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our Partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email [sreid2@uk.ey.com](mailto:sreid2@uk.ey.com). If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you.

Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



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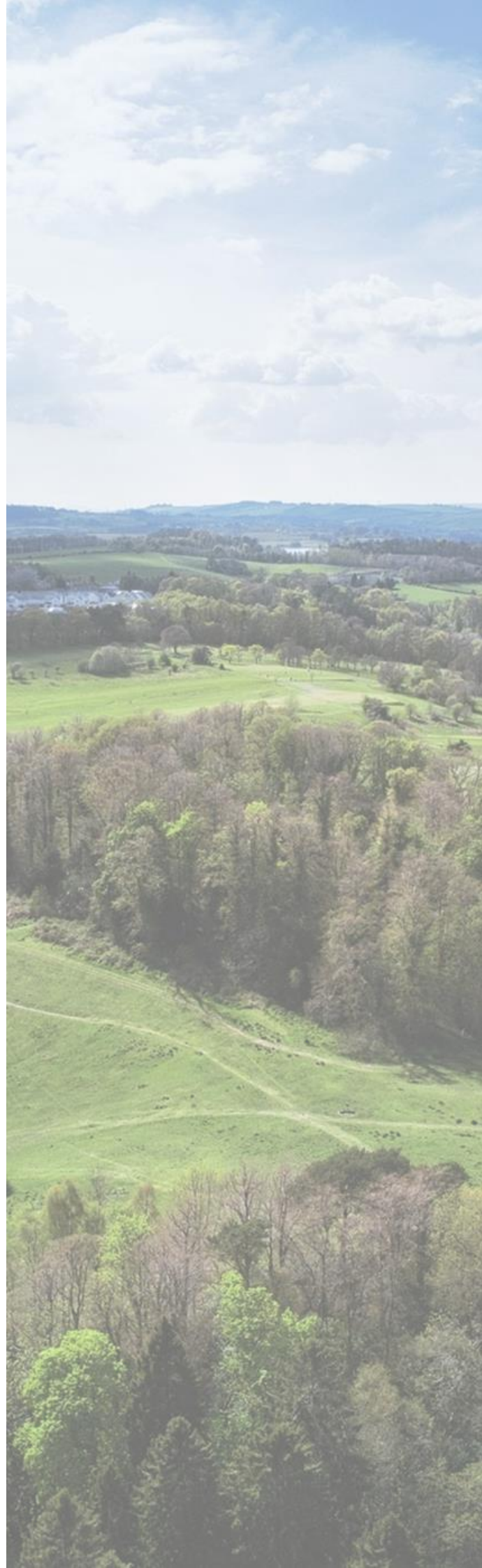
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