

**MINUTE**  
**of**  
**AUDIT & SCRUTINY COMMITTEE**

**Minute of meeting held at 2.00pm in the Council Chamber, Council Headquarters, Giffnock on 8 August 2024.**

**Present:**

Councillor Andrew Morrison (Chair)  
Councillor Paul Edlin

Councillor Annette Ireland \*  
Councillor Gordon Wallace

Councillor Morrison in the Chair

(\*) indicates remote attendance

**Attending:**

Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Louise Pringle, Director of Business Operations and Partnerships; Kirsty Stanners, Head of Finance; Michelle Blair, Chief Auditor; Ian McLean, Senior Auditor; Linda Hutchison, Clerk to the Committee; and John Burke, Democratic Services Officer.

**Also Attending:**

Grace Scanlin, Ernst and Young.

**Apologies:**

Provost Mary Montague, and Councillors Tony Buchanan and David Macdonald.

**DECLARATIONS OF INTEREST**

**904.** There were no declarations of interest intimated.

**CHAIR'S REPORT – EXTERNAL AUDIT ISSUES**

**905.** Councillor Morrison reported that Rob Jones of the External Audit Team had written to him, in his capacity as Chair of the Committee, regarding Auditing Standards which required External Audit to formally update their understanding of the Committee's arrangements for oversight of management processes and arrangements annually. Having cited examples of the questions posed and referred to the value of this, Councillor Morrison confirmed he had issued a formal, written response.

He also reported that, again in his capacity as Chair, he was due to have a further, routine meeting with Rob Jones on 20 August 2024, on which he would report back in due course.

The Committee noted the report.

## **BREAKFAST CART SERVICE AT NEILSTON PRIMARY SCHOOL – CLARIFICATION**

**906.** Under reference to the Minute of the meeting of 20 June 2024 (Page 884, Item 879 refers), when it had been noted that the Chief Accountant would provide clarification on whether or not the Devolved School Management (DSM) Reserve would provide sufficient funding to enable the Breakfast Cart Service at Neilston Primary School which was being sustained through COVID funding until the end of June 2024 to continue, the Committee considered a report by the Clerk summarising the clarification received and circulated. It was reported that the Reserve for the School would provide sufficient funding to enable the Cart Service based at the School to continue for session 2024/25 at least, and that a review would be undertaken during 2024/25 to measure the impact of this expenditure to enable the school community to consider its sustainability in the longer term.

Having referred to the Scottish Government's prior national commitment to fund breakfast provision for primary school pupils by August 2022, Councillor Morrison suggested seeking clarification on whether or not any progress on this was likely to be made during the forthcoming year to enable the service to be delivered through dedicated funding. He added that he was aware that the Scottish Government had concluded a related mapping exercise in June 2024 of current breakfast provision in primary schools across Scotland. Councillor Wallace commented that Neilston Primary School's DSM Reserve had increased from £20k to £58k, but queried if the Reserve would have been significantly more if the Scottish Government funding referred to had been available. It was suggested that it would be useful to ascertain the current cost of providing the Breakfast Cart Service at Neilston Primary School as an example, whilst acknowledged that breakfast provision was currently being provided in several other local schools.

The Committee:-

- (a) agreed that further clarification be sought on whether or not any progress on the provision of dedicated central funding by the Scottish Government for breakfast provision for primary school pupils was likely to be made by the Scottish Government during the forthcoming year, and also the current cost of the Breakfast Cart Service at Neilston Primary School as an example of the cost at present; and
- (b) otherwise, noted the position.

## **ANNUAL TREASURY MANAGEMENT REPORT 2023/24**

**907.** Under reference to the Minute of the meeting of 22 February 2024 (Page 766 , Item 751 refers), when it had been agreed to recommend to the Council that the Treasury Management Strategy for 2024/25 and policy on the repayment of loans fund advances be approved, the Committee considered a report by the Head of Accountancy (Chief Financial Officer) providing details of the Council's treasury management activities for the year ending 31 March 2024, and seeking approval to recommend to the Council that a list of organisations for the investment of surplus funds be approved.

The report referred to a well-managed treasury function within the Council and related issues, commenting that the authority continued to adopt a prudent approach to treasury management, and that stability in borrowing assisted the Council to respond to current, national economic pressures. The submission of the report to the Committee, prior to its submission to the Council, was in line with the CIPFA Code of Practice on Treasury Management.

The Head of Accountancy (Chief Financial Officer) highlighted key issues within the report, including why the borrowing undertaken during the year varied from the previous estimate of £58m. She explained that a number of capital projects had been rescheduled to future years, and that due to this and current high interest rates being encountered, no new borrowing had been undertaken.

She highlighted that the Council had operated satisfactorily against all indicators which measured risk, prudence and debt; commented on various specific indicators; outlined the position on internal borrowing and why it was required; and confirmed that capital investment plans and treasury management decisions were affordable, prudent and sustainable. It was commented that the Council's average borrowing rate had reduced by 0.07% compared to 2022/23, but that this trend could change in future as interest rates were not expected to return to the low levels they had been previously.

In response to questions from Councillor Edlin and Councillor Morrison, the Head of Accountancy (Chief Financial Officer) commented further on the extent to which internal borrowing could be used and related issues; clarified why it was not possible to commit all of the Council's reserves to internal borrowing; and more generally outlined how it was determined that borrowing levels were prudent. She confirmed that borrowing would return to a more normal level in due course, when it was possible to do so.

In reply to Councillor Wallace who cited examples of large capital projects planned and the extent to which the Council was exposed to related risk in terms of borrowing as commented on by the External Auditor previously, the Head of Accountancy (Chief Financial Officer) highlighted that all local authorities, not just the Council, were facing a high risk associated with this linked to the current economic position and related pressures. More specifically, she explained that additional funds were being sought from the Scottish Government to progress Get to Zero initiatives as it was not considered realistic to fund this work fully otherwise. She also commented on the ratio of financing to the Net Revenue Stream in terms of the Non-Housing Revenue Account and related issues.

The Committee, agreed:-

- (a) to note the Treasury Management Annual Report for 2023/24 and associated comments; and
- (b) to **recommend to the Council** that the organisations specified in the report for investment of surplus funds be approved.

## **NATIONAL EXTERNAL AUDIT REPORT – LOCAL GOVERNMENT BUDGETS 2024/25**

**908.** The Committee considered a report by the Clerk on the publication in May 2024 of a report by Audit Scotland entitled *Local Government Budgets 2024/25*. Under the Committee's specialisation arrangements, Councillor Morrison was leading the review of the report. The Head of Accountancy (Chief Financial Officer) had been asked to provide comments and a copy of her feedback was appended to the report.

Having explained that this was the first time such a national report had been compiled by Audit Scotland, the report commented on a range of revenue and capital budgetary issues. It was explained that councils had adopted a range of approaches and reporting styles which made comparisons of budget reports across different authorities difficult. The report highlighted that Audit Scotland was keen to improve transparency in budget reporting across Scotland and that, whilst the Council's budget reports were already considered to provide detailed analysis, officers would work with the Council's External Auditors to consider any further local improvements which might be suggested and help facilitate comparisons with other councils.

It was concluded that the Audit Scotland briefing had provided a high level summary of the main issues facing Scottish Councils in setting their budgets for 2024/25, with almost all of the issues raised being relevant to the Council and it being clear that councils would face increased scrutiny regarding this in future. It was clarified that the Accounts Commission and Audit Scotland planned to release similar briefings annually in future.

The Head of Accountancy (Chief Financial Officer) highlighted key issues within the report, referring to the increasing financial pressures facing Scottish councils in setting their 2024/25 budgets, that transparency was considered to be demonstrated already in the Council's budget reports and that the Accounts Commission would pursue more consistency across councils in future.

Councillor Morrison referred to the difficulties of benchmarking when approaches to budget reports across councils differed. Referring to fees and charges and the option to introduce a visitor levy, he expressed the view that, given the nature of the local economy in East Renfrewshire, introducing such a levy was unlikely to be beneficial. However he added that, should the Scottish Government ever suggest reducing central funding to councils based on the introduction of the levy, the Council could be disadvantaged.

In response to Councillor Wallace, the Head of Accountancy (Chief Financial Officer) confirmed that at present no formal criteria were provided by the Accounts Commission on providing feedback on budget issues, that the feedback was submitted to the Commission through the External Auditor, and that there could be more direction in future on the information required. Having heard Councillor Wallace suggest that arguments in favour of consistency needed to be pressed by the Accounts Commission and others involved in External Audit, Ms Scanlin confirmed that officers had been able to check the feedback prepared on the budget prior to its submissions to the Commission, and concurred that further clarity on expectations regarding the feedback would be welcomed.

In reply to Councillor Ireland who expressed concern that the Audit Scotland report had cited the Council as one of six which had not consulted residents on the 2024/25 budget, the Head of Accountancy (Chief Financial Officer) highlighted that in October 2022 the Council had carried out very extensive public consultation with residents on the 2023/24, 2024/25 and 2025/26 budgets and related savings proposals. Ms Scanlin confirmed that reference to that consultation had been included in the return submitted for the Council, albeit not reflected that way in the Audit Scotland report.

The Committee agreed to note the report and related comments made.

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

**909.** Under reference to the Minute of the meeting of 28 March 2024 (Page 811, Item 799 refers), when the Internal Audit Strategic Plan for 2024/25 to 2028/29 had been approved, the Committee considered a report by the Chief Auditor regarding progress made on the implementation of the Plan from 1 April to 30 June 2024. It was confirmed that seven reports relating to planned 2023/24 audit work had been issued since the last progress report had been considered, with no reports relating to 2024/25 audit work having been issued thus far. Details of reports issued as part of the 2023/24 Plan, on which responses had been received since the previous progress report had been submitted, were also provided.

Reference was also made to the quarterly performance indicators (PIs) for the section, and three new requests for assistance dealt with using contingency time on which work was still in progress.

The Senior Auditor highlighted various issues, during which he clarified that there had been no significant findings from the audits other than on access to systems, and that the follow-up audits done had confirmed that good progress had been made on implementing previously agreed recommendations.

Regarding the Council Tax Billing and Collection Audit, in response to Councillor Morrison, the Senior Auditor specified the balance of the Council Tax suspense account both in total and relative to the total amount of Council Tax collected, and cited examples of reasons why details were added to that account.

Regarding the City Deal, Councillor Ireland expressed concern regarding a potential increase in the budget for the Aurs Road project and it being completed later than anticipated. Having heard the Chief Auditor refer to the focus of the audit that had been completed, which had not focussed on project delays although that could potentially be considered as part of a future audit, the Head of Accountancy (Chief Financial Officer) confirmed that updates on progress with the project and the impact of any delays would be included in the Capital Plan monitoring reports submitted to the Cabinet and Council. Councillor Morrison suggested that, meantime, the audit report on the City Deal be circulated. In response to Councillor Edlin and Councillor Wallace respectively, the Head of Accountancy (Chief Financial Officer) clarified that local officers managed and monitored progress on the project, and that one-off high profile projects, such as the Aurs Road one, tended to be supported by more experienced officers in the Environment Department.

The Committee agreed:-

- (a) that the Internal Audit Report on the City Deal be circulated to members of the Committee; and
- (b) otherwise, to note the report and related comments made.

CHAIR

