

**Business Operations and Partnerships Department**

**Director of Business Operations & Partnerships: Louise Pringle**

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Date: 14 January 2025

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

**MEETING OF AUDIT AND SCRUTINY COMMITTEE**

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, G46 6UG on **Thursday, 23 January 2025 at 2.00pm.**

The agenda of business is as listed below.

Yours faithfully

*Louise Pringle*

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

**AGENDA**

**1. APOLOGIES FOR ABSENCE**

**2. DECLARATIONS OF INTEREST**

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

**3. CHAIR'S REPORT**

**4. FRAUD RESPONSE STATEMENT 2023/24 – PROCUREMENT ISSUES; AND WHITELEE WINDFARM FUND – CLARIFICATION**

Report by Clerk (copy attached, pages 3 – 8).

**5. INTERIM TREASURY MANAGEMENT REPORT 2024/25 – QUARTER 3**

Report by Head of Finance (copy attached, pages 9 – 24).

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

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EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

23 January 2025

Report by Clerk

FRAUD RESPONSE STATEMENT 2023/24 - PROCUREMENT ISSUES;  
AND WHITELEE WINDFARM FUND  
CLARIFICATION

**PURPOSE OF REPORT**

1. To summarise the clarification received and circulated on queries raised at the meetings of the Committee on 26 September and 21 November respectively regarding the promotion of the availability of Whitelee Windfarm Fund related grants; and procurement arising from discussions on the Fraud Response Statement 2023/24.

**RECOMMENDATION**

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

**REPORT**

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

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

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

6. Clarification provided on queries raised at the meetings on 26 September and 21 November 2024 respectively regarding the promotion of the availability of Whitelee Windfarm Fund related grants; and procurement, arising from discussions on the Fraud Response Statement 2023/24, which has already been circulated through correspondence, is provided in Appendix 1.

**RECOMMENDATION**

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

Local Government Access to Information Act 1985

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Background Papers:-

1. Audit and Scrutiny Committee Agenda – 26 September 2024:-  
[2023-24 Annual Accounts and Draft Annual Audit Report](#)
2. Audit and Scrutiny Committee Agenda – 21 November 2024:-  
[Managing the Risk of Fraud and Corruption - Fraud Response Statement 2023/24](#)

## CLARIFICATION SOUGHT AND CIRCULATED

DATE OF MEETING	ITEM AND ISSUE(S) RAISED	CLARIFICATION
26 Sept 2024	<p data-bbox="409 488 1048 555"><a href="#">2023-24 Annual Accounts and Draft Annual Audit Report</a></p> <p data-bbox="409 587 1048 754">Further to discussions on the Annual Accounts, amongst other things, it was agreed to seek further details on how the availability of Whitelee Wind Farm related grants is promoted to the community.</p>	<p data-bbox="1070 488 2089 587">The Business Growth Advisor within the Economic Development and Inclusive Growth Team provided feedback on how this has been done recently, which is as follow:-</p> <ul data-bbox="1070 627 2123 1137" style="list-style-type: none"> <li data-bbox="1070 627 2067 726">• Promotional Events/Information Sessions held at The Bank, Neilston ((25 April 2024); and the Community Hub, Newton Mearns (10 July and 7 August 2024)</li> <li data-bbox="1070 762 2123 1034">• Advertising of the Fund and events was done:- <ul data-bbox="1171 834 2123 1034" style="list-style-type: none"> <li data-bbox="1171 834 1765 866">○ on the Council's website (see below also);</li> <li data-bbox="1171 866 1977 930">○ through the Council's social media channels (Facebook, X, LinkedIn)(March and April 2024);</li> <li data-bbox="1171 930 1977 962">○ by making details available through Funding Scotland; and</li> <li data-bbox="1171 962 2123 1034">○ contacting Voluntary Action East Renfrewshire (invited in March 2024 to promote this).</li> </ul> </li> <li data-bbox="1070 1074 2089 1137">• There is permanent information on the Fund on the Council's website (see <i>link below</i>) which is updated with dates when known:-</li> </ul> <p data-bbox="1126 1169 1821 1201"><a href="http://www.eastrenfrewshire.gov.uk/renewable-energy-fund">www.eastrenfrewshire.gov.uk/renewable-energy-fund</a></p>

DATE OF MEETING	ITEM AND ISSUE(S) RAISED	CLARIFICATION
21 Nov 2024	<p data-bbox="409 300 1046 368"><a href="#">Managing the Risk of Fraud and Corruption - Fraud Response Statement 2023/24</a></p> <p data-bbox="409 400 1010 469">Further to discussions on the Council's Fraud Response Statement 2023/24, it was agreed:-</p> <p data-bbox="409 501 1043 703">(a) in relation to the growing concern reported that organised crime was engaging in procurement fraud, that further clarification be provided on the appropriate steps being taken to minimise the risk of this within the Council; and</p> <p data-bbox="409 735 1039 906">(b) also regarding procurement, that further clarification be provided on the checks being undertaken to address the potential for links between council officers and contractors used.</p>	<p data-bbox="1068 300 1872 331">The Chief Procurement Officer provided feedback as follows:-</p> <ol data-bbox="1068 368 2114 1289" style="list-style-type: none"> <li data-bbox="1068 368 2114 1070">1. For every tender opportunity, a contract strategy document is jointly completed between procurement and the procuring service, which is signed off by the relevant Head of Service before the activity is issued to the market place. This document includes the following sections:- <ul data-bbox="1113 552 2092 1070" style="list-style-type: none"> <li data-bbox="1113 552 2092 842">• <u>Risk Assessment</u> This gives consideration to the value of contract, commodity being procured, market responding and risk mitigation. Where the activity is high value / high risk, the Scottish Government <i>Single Procurement Document</i> is used within the tender document. This is a comprehensive question set mandated by the Scottish Government to ensure a rigorous check on bidders is undertaken. See detail provided under Point 2 below.</li> <li data-bbox="1113 874 2092 1070">• <u>Conflict of Interest</u> This section requires officers involved in the procurement to declare if there is any conflict of interest, with examples included. If one is declared, the officer would not be permitted to be involved in the procurement process.</li> </ul> </li> <li data-bbox="1068 1118 2114 1289">2. High Value /High Risk Tenders include questions on the following areas - conspiracy, corruption, terrorist offences, money laundering, any other offences, payment of taxes, blacklisting, labour law, bankruptcy, arrangement with creditors, suspended business, professional misconduct, distortion and conflict of interest.</li> </ol>

DATE OF MEETING	ITEM AND ISSUE(S) RAISED	CLARIFICATION (Continued)
		<p>3. All procurement activities consider the bidder's commercial value. If it is abnormally low in comparison to other bids received, additional checks are undertaken in line with the <i>Public Contracts Regulations</i> to ensure there is no price fixing / bid rigging. This requires the supplier to respond with information to show they can sustain the contract at the rate submitted. Procurement would engage with Finance and Legal Services if there was any concern on the information provided.</p>

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EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE23 January 2025Report by Head of Finance (Chief Financial Officer)INTERIM (QUARTER 3) TREASURY MANAGEMENT REPORT FOR 2024/25**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on the Treasury Management activities for the period ending 30 November 2024.

**RECOMMENDATION**

2. It is recommended that the Committee:
  - note the Interim Treasury Management Report for Quarter 3 2024/25; and
  - recommend to the Council that the attached organisations for investment of surplus funds be approved.

**BACKGROUND**

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

**SUMMARY**

4. Overall, the report demonstrates a well-managed treasury function within the Council. The average interest rate on long-term borrowing has reduced slightly from that reported in November. The Council continues to adopt a prudent approach to treasury management and, in particular, highlights the 6.13% of loans held as at 30 November 2024 that had variable interest rates, which is well below the Council's approved upper limit of 15%. The resulting stability in borrowing assists the Council in responding to the current national economic pressures.

**RECOMMENDATION**

5. It is recommended that the Committee:
  - note the Interim Treasury Management Report for Quarter 3 2024/25; and
  - recommend to the Council that the attached organisations for investment of surplus funds be approved.

**REPORT AUTHOR**

Head of Finance (Chief Financial Officer):

Kirsty Stanners

Chief Accountant:

Barbara Clark

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Report Date:

12 December 2024

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## INTERIM TREASURY MANAGEMENT REPORT QUARTER 3 2024/25

Table 1

## 1. Actual External Debt

	Borrowing 01/10/24 £M	Average Interest %	Borrowing 30/11/24 £M	Average Interest %	Change in Qtr £M
<b><u>Long Term Borrowing</u></b>					
Public Works Loan Board	112.49	3.29	137.48	3.54	24.99
Local Authority Bonds	14.40	4.60	14.40	4.60	0.00
PFI / PPP Finance Leases	68.13	7.17	68.13	7.17	0.00
<b>Total Long Term</b>	<b>195.02</b>	<b>4.74</b>	<b>220.01</b>	<b>4.73</b>	<b>24.99</b>

**Net Short Term Investments/Borrowing**

Temporary Investments/Borrowing	<b>(25.63)</b>	<b>5.07</b>	<b>(38.13)</b>	<b>4.78</b>	<b>(12.50)</b>
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**NOTES**

- (i) For the purposes of this report, long-term borrowing means loans taken on a long-term basis. This differs from the Annual Accounts, which have to categorise long-term loans with less than a year until repayment as short-term loans. Loans above totalling £0.003 million come into this category.
- (ii) The Treasury Strategy approved by the Council on 28 February 2024, ratified external borrowing of £62m from the Public Works Loan. During the last quarter £25m borrowing from Public Works Loan Board (PWL) has been undertaken.
- (iii) There has been a slight reduction to the average interest rate on long-term borrowing from that reported previously.
- (iv) The Council's net external borrowing position has increased in total by £12.49 million during the quarter due to both revenue and capital cash flows.
- (v) The Council's activity in the temporary investments market is shown along with the corresponding interest rate movements in Appendices 2 – 5. In response to difficulties in the financial markets and as part of a risk managed process designed to protect the principal of the sums invested, the maximum period of investment was restricted to 6 months.
- (vi) As at 30 November 2024, the Council had 6.13% of its total debt outstanding in variable rate loans. For the Council to gain a high level of stability in overall borrowing costs, the Council's Treasury Policy Statement requires the exposure to variable rate loans to be less than 15% of the total debt outstanding.
- (vii) Appendix 6 shows the Bank of England MPC base rate covering the period April 2022 to the date of this report.

## 2. PWLB

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

## 3. DEBT MATURITY PROFILE

The Council's debt maturity profile at 30 November 2024 is shown both below and in Graph format at Appendix 7.

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

The Council's Debt Maturity Profile as at 30 November 2024 was within the agreed limits.

### Long Term Debt Maturity Profile as at 30 November 2024

	PWLB	Local Authority Bond	Total	
	£M	£M	£M	%
24/25	0.00	0.00	0.00	0.00
25/26	0.00	0.00	0.00	0.00
26/27	5.01	0.00	5.01	3.30
27/28	2.01	0.00	2.01	1.32
28/29	10.00	0.00	10.00	6.58
29/30	15.00	0.00	15.00	9.88
30/31	0.00	0.00	0.00	0.00
31/32	0.00	0.00	0.00	0.00
32/33	0.00	0.00	0.00	0.00
33/34	0.00	0.00	0.00	0.00
After 2034/35	105.46	14.40	119.86	78.92
<b>Total</b>	<b>137.48</b>	<b>14.40</b>	<b>151.88</b>	<b>100.00</b>

## 4. PRUDENTIAL INDICATORS

In line with the agreed monitoring arrangements for the Prudential Indicators, listed below there is a table showing all the prudential indicators comparing the approved indicator, as reported to the Council on 28 February 2024 along with the projected outturn figures recorded at 30 June 2024, 30 September 2024 and 30 November 2024, demonstrating that the Council is operating well within the limits set.

<b>Prudential Indicator</b>	<b>Approved indicator £'000s</b>	<b>Projected Outturn @ 30/06/24 £'000s</b>	<b>Projected Outturn @ 30/09/24 £'000s</b>	<b>Projected Outturn @ 30/11/24 £'000s</b>
Capital Expenditure	75,740	77,738	77,657	74,588
Comment	Movement from the projected outturn at 30 September is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes, moving capital spend from the current to the following financial year.			
Capital Financing Requirement (CFR)	312,313	296,331	294,569	288,010
Comment	Movement from the projected outturn at 30 September is due to the revised planning of capital projects within both the Housing and General Fund Capital Programmes, moving capital spend from the current to the following financial year.			
Operational Boundary for External Debt	317,144	301,163	299,400	292,842
Comment	Movement from the projected outturn as 30 September is due to a reduction in permitted borrowing from that last reported due to a reduction in capital spend in the current year.			
Authorised Limit For External Debt	354,496	336,116	334,090	326,548
Comment	In addition to the variance explanation for the Operational Boundary for External Debt above, the Authorised limit for External Debt also includes a further allowance to cover any unexpected temporary movements.			
Gross Debt	262,188	237,688	237,688	237,688
Comment	There is no movement from the position as at 30 September.			

Gross Debt to CFR (Under) / Over	(50,125)	(58,643)	(56,881)	(50,322)
Comment	Movement from the projected outturn at 30 September is as a result of a reduction in net capital expenditure in the current year.			
Financing to Net Revenue Stream Non – HRA HRA	6.3% 35.1%	5.9% 35.0%	5.9% 35.3%	5.9% 35.4%
Comment	Movements from the projected outturn at 30 September relates to a review of the anticipated HRA income and loan charges in the current year since that last reported.			
HRA - Ratio of Debt to Revenue	334.8%	324.0%	326.2%	324.6%
Comment	Movement from the projected outturn at 30 September relates mainly to the revised planning of capital projects within the Housing Capital Programme, moving capital spend from the current to the following financial year.			
HRA – Debt Per Dwelling £	16,891	16,575	16,080	16,032
Comment	Movement from the projected outturn at 30 September relates mainly to the revised planning of capital projects within the Housing Capital Programme, moving capital spend from the current to the following financial year.			
Code of Practice For Treasury Management	<p>The Council has adopted the CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes.</p> <p>All of the approved activities within the Council Treasury Management Policy Statement have been complied with.</p>			

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

	Approved Indicator £'000s	Projected Outturn @ 30/06/24 £'000s	Projected Outturn @ 30/09/24 £'000s	Projected Outturn @ 30/11/24 £'000s
Capital Financing Requirement	£312,313	£296,331	£294,569	£288,010
Gross Debt	£262,188	£237,688	£237,688	£237,688
Internal Borrowing Required	£50,125	£58,643	£56,881	£50,322

## 5. DEBT PERFORMANCE INDICATOR

The Treasury Strategy sets out the following debt performance indicator:

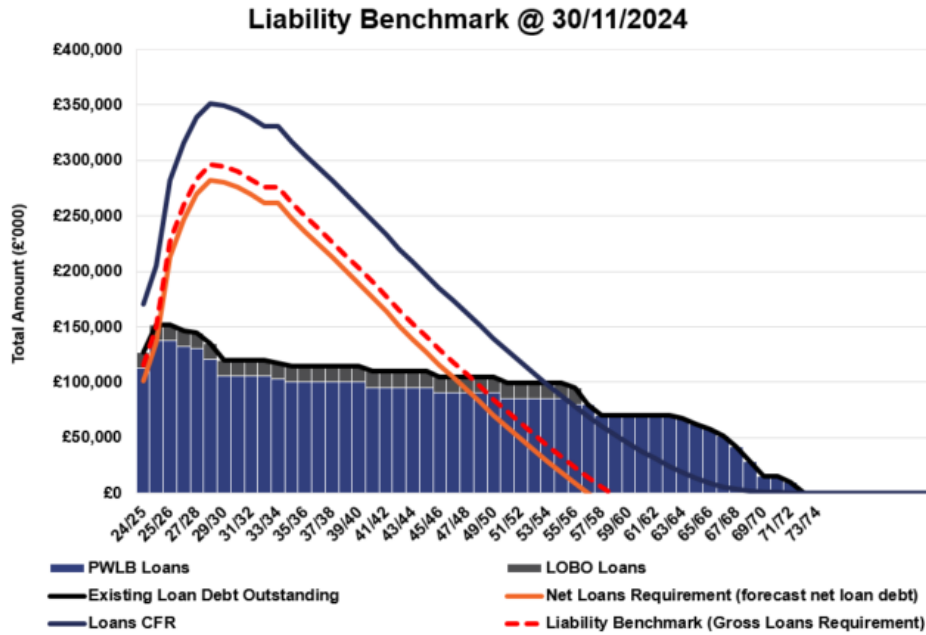
- i) Average "pool rate" compared to Scottish average:  
This information is only available after the year end.

## 6. LIABILITY BENCHMARK

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

There are four components to the LB: -

1. **Existing loan debt outstanding:** the Authority's existing loans that are still outstanding in future years.
2. **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned Loans Fund principal repayments.
3. **Net loans requirement:** this shows the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned Loans Fund principal repayments and any other major cash flows forecast.
4. **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



## 7. APPROVED ORGANISATIONS FOR INVESTMENT

In line with normal practice, the status of all Banks and Building Societies has been reviewed in order to amend the current list of approved organisations for investment (see appendix 8). No changes have been made since that last reported on 21 November 2024. All lending is in line with the permitted methods of investment, which were approved by Council on 28 February 2024 as part of the Treasury Management Strategy report.

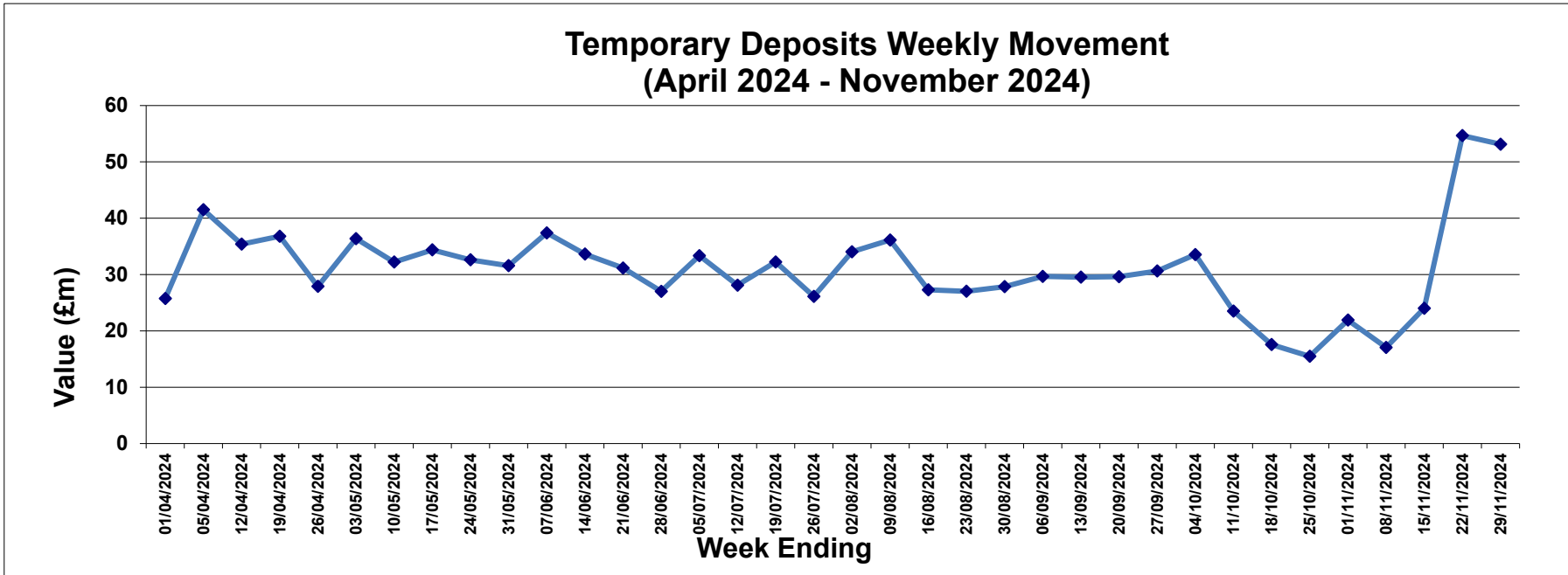
As a result of the banking crisis and in line with prudent financial management, investments have been restricted to UK organisations with high credit ratings. Also, the maximum period of investment was restricted to 6 months, in line with advice from our Treasury Advisers, Link Asset Services. These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

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

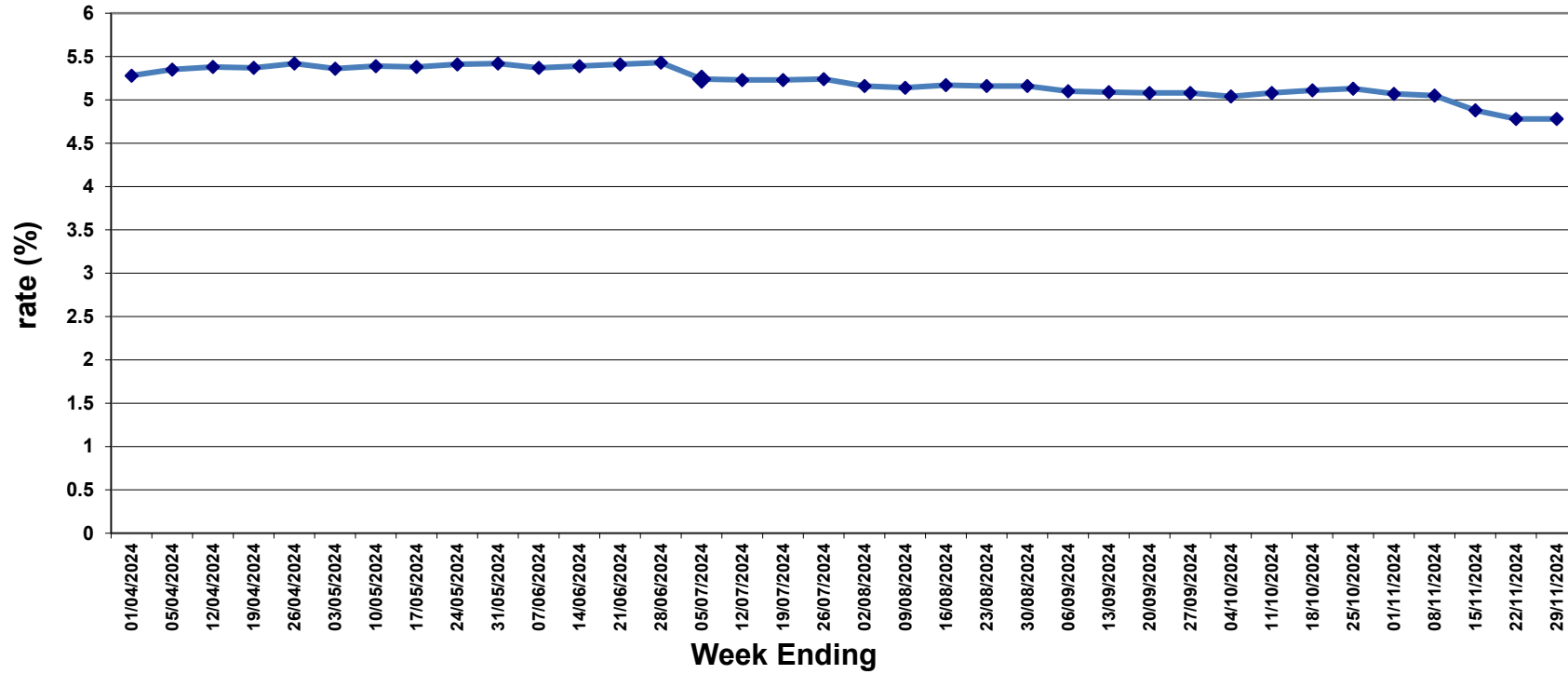
## 8. TREASURY MANAGEMENT RISK

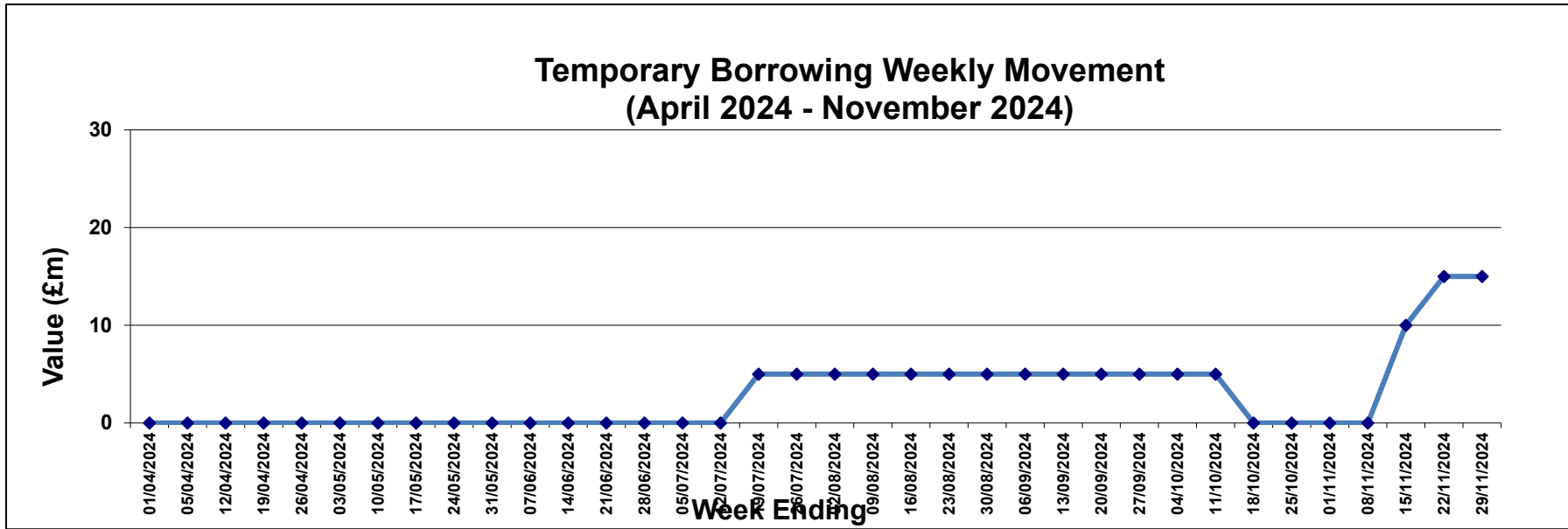
Within the Operational Risk Register for Accountancy Services there is a risk listed that highlights the difficulty in obtaining sufficient institutions, that meet the Council's criteria, to invest surplus funds with. To minimise this risk, the Council has six Money Market Funds which provide highly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



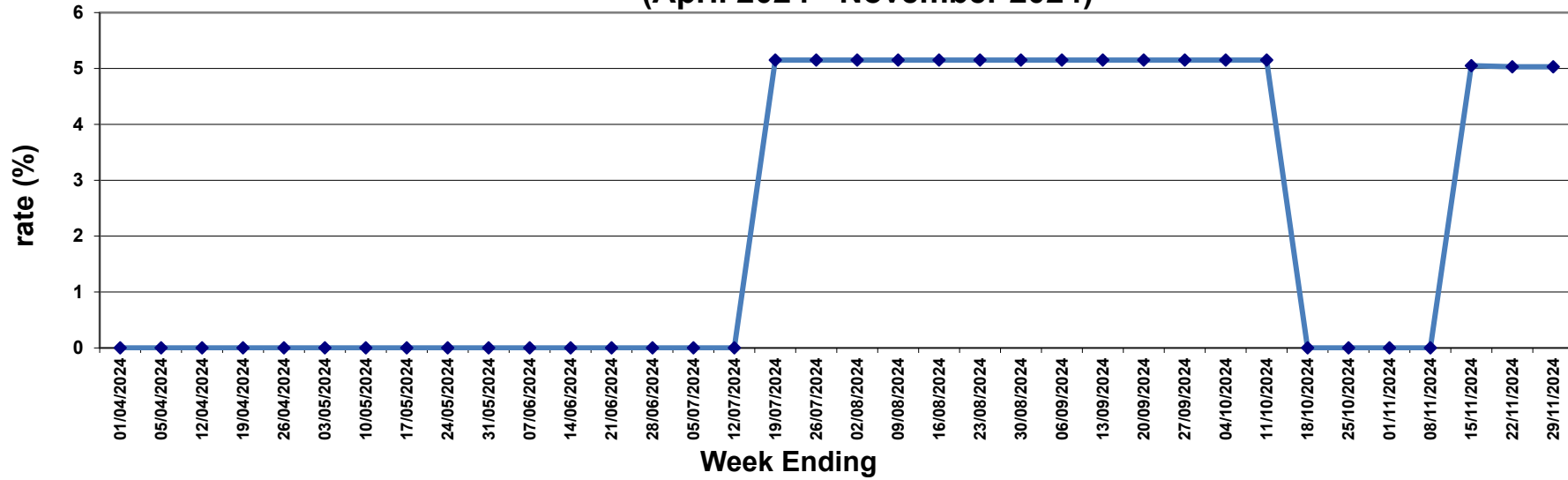


### Temporary Deposit Interest Rate Movements (April 2024 - November 2024)

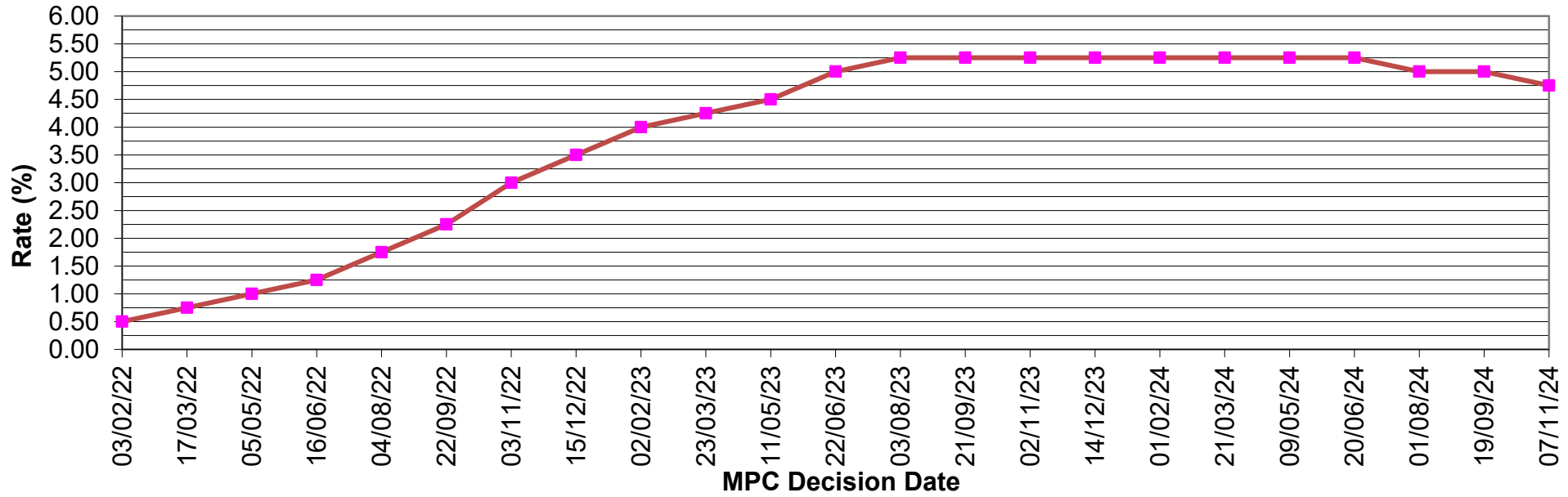




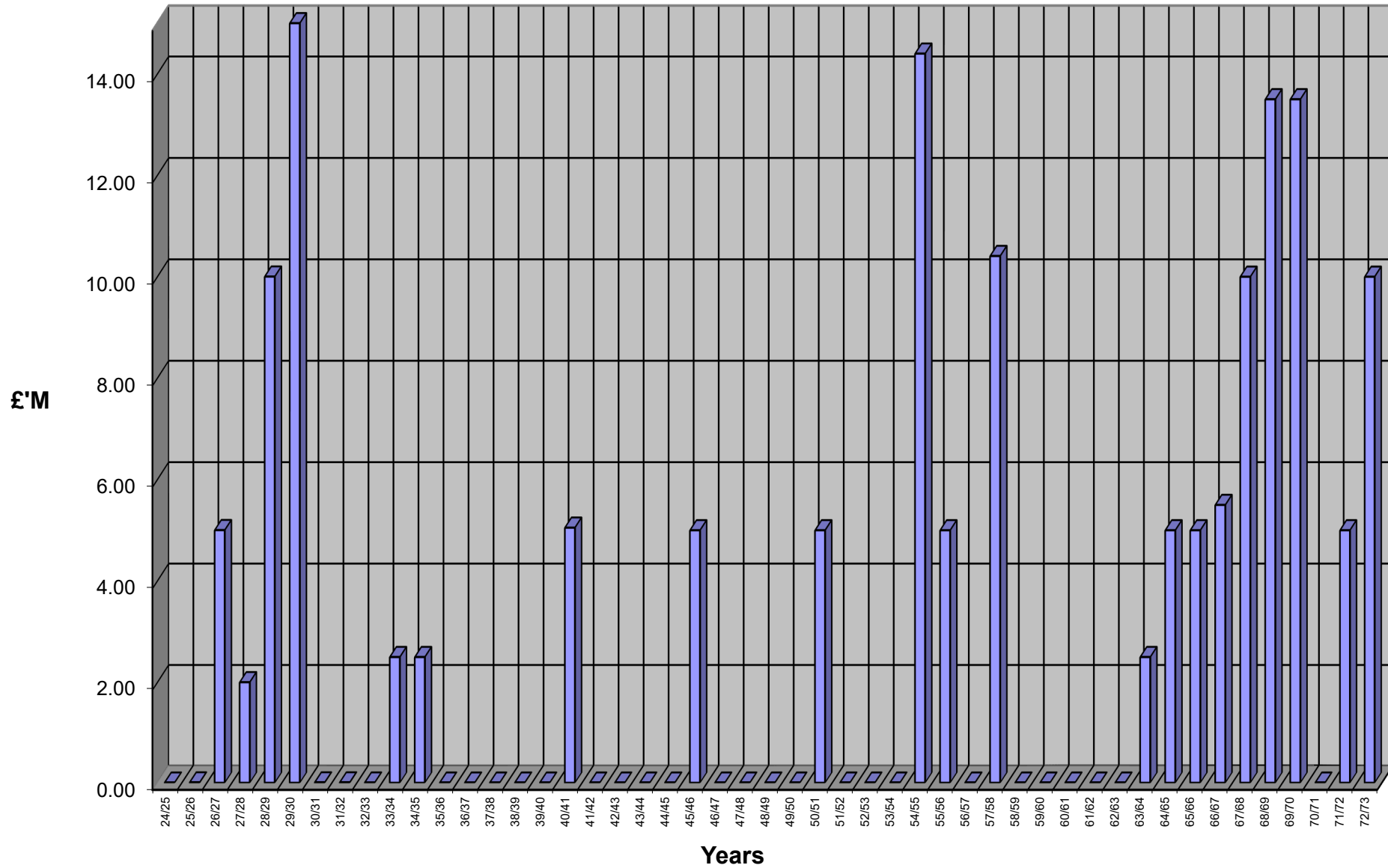
### Temporary Borrowing Interest Rate Movements (April 2024 - November 2024)



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



### Long Term Debt Maturity Profile as at 30/11/2024



**EAST RENFREWSHIRE COUNCIL  
ORGANISATIONS APPROVED FOR THE INVESTMENT OF SURPLUS FUNDS  
Limits**

<b>Banking Group</b>	<b>Individual Counterparty</b>	<b>Deposit</b>	<b>Transaction</b>		
Bank of England	Debt Management Office	£30m	£10m		
	UK Treasury Bills	£5m	£5m		
Barclays Banking Group	Barclays Bank plc	£5m	£5m		
Goldman Sachs International Bank		£10m	£10m		
Lloyds Banking Group:	Bank of Scotland plc	£5m	£5m		
	Lloyds Bank	£5m	£5m		
	Corporate Mkt (NRF)	£5m	£5m		
Royal Bank of Scotland Group:	Royal Bank of Scotland plc	£5m	£5m		
	National Westminster Bank	£5m	£5m		
Santander Group	Santander UK plc	£10m	£10m		
Standard Chartered Bank		£10m	£10m		
<b>Building Societies</b>					
Nationwide Group	Nationwide Building Society	£5m	£5m		
	Virgin Money (Clydesdale)	£5m	£5m		
<b>Local Authorities</b>					
All Local Authorities including Police & Fire		£5m	£5m		
<b>Money Market Funds and Ultra-Short Dated Bond funds</b>					
Maximum limit of £10m per fund		£60m	£10m		
<b>Credit Ratings</b>					
	<b>Fitch</b>		<b>Moody's</b>		<b>S&amp;P</b>
	LT    ST	LT    ST		LT    ST	
Minimum Criteria (unless Government backed) (please note credit ratings are not the sole method of selecting counterparty)	A-    F1	A3    P-1/P-2	A	A-1/A-2	

**Limit**

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

**Deposit Periods**

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

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