

Corporate and Community Services Department

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

Phone: 0141 577 3000 Fax: 0141 577 3129

website: www.eastrenfrewshire.gov.uk

Date: 14 June 2019

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

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

TO: Councillors Stewart Miller (Chair), Barbara Grant (Vice-Chair), Provost Jim Fletcher, and Councillors Charlie Gilbert, Annette Ireland, Jim McLean and Jim Swift.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held in the Council Chamber, Council Headquarters, Eastwood Park, Giffnock, on **Thursday, 20 June 2019 at 2.00 pm.**

CAROLINE INNES

C INNES

DEPUTY CHIEF EXECUTIVE

AGENDA

1. Report apologies for absence.
2. Declarations of interest.
3. Chair's Report.
4. Code of Corporate Governance – Report by Deputy Chief Executive (copy attached, pages 3 - 46).
5. Unaudited Annual Accounts 2018/19 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 47 - 180).
6. Arboricultural Framework – Report by Director of Environment (copy attached, pages 181 - 190).
7. Local External Audit Report – East Renfrewshire Council Management Report 2018/19 – Report by External Auditor (copy attached, pages 191 - 200).

8. **National External Audit Report - Local Government in Scotland: Challenges and Performance 2019 - Report by Clerk (copy attached, pages 201 - 210).**
9. **National External Audit Report - Health & Social Care Integration – Update on Progress – Report by Clerk (copy attached, pages 211 - 224).**
10. **Audit Charter - Report by Chief Auditor (copy attached, pages 225 - 232).**
11. **Public Sector Internal Audit Standards (PSIAS) Internal Self-Assessment –Report by Chief Auditor (copy attached, pages 233 - 238).**
12. **Internal Audit Plan 2018/19 – Implementation Progress – January to March 2019 - Report by Chief Auditor (copy attached, pages 239 - 264).**
13. **Internal Audit Annual Report 2018/19 - Report by Chief Auditor (copy attached, pages 265 - 282).**
14. **Proposed Guide to Scrutiny and Review – Report by Chief Executive (copy attached, pages 283 - 318).**
15. **Committee’s Specialisation Arrangements for Dealing with Internal and External Audit Reports and Inspection Reports - Report by Clerk (copy attached, pages 319 - 322).**

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

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE
20 June 2019
Report by Deputy Chief Executive
CODE OF CORPORATE GOVERNANCE

PURPOSE OF REPORT

1. To update the Audit and Scrutiny Committee on progress against improvement actions in the 2018/19 Code of Corporate Governance and to approve a new Code for 2019/20 (listed at Annex 1).

RECOMMENDATIONS

2. The Audit and Scrutiny Committee is asked to:-
- (a) Note progress on the 2018/19 Code of Corporate Governance improvement actions; and
 - (b) Approve the Code of Corporate Governance updates and actions for 2019/20 (Annex 1).

BACKGROUND

3. East Renfrewshire Council is responsible for ensuring that business is: conducted in accordance with the law and proper standards; and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

4. In discharging this responsibility, elected members and senior officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of resources. Since December 2002, the Council has adopted and updated annually a Code of Corporate Governance which is consistent with the principles and requirements of the CIPFA/SOLACE Framework: *Delivering Good Governance in Local Government*.

5. The Code of Corporate Governance is a statement of the structures and processes that govern internal policy-making, community leadership, partnership working and the mechanisms to ensure proper control and accountability are in place.

6. The *Delivering Good Governance in Local Government* framework was revised in 2016. Previously the Corporate Governance framework consisted of six core principles. The Code now comprises of seven governing principles and a set of supporting principles however the sentiment is essentially the same. The full set of principles is listed in the draft code in Annex 1. A diagram providing an 'at a glance' summary of the Council's evidence to ensure good corporate governance is included at the end of Annex 1 for ease of reference.

7. All councils must comply with the following requirements:
- Publication of an annual progress summary on the previous year's Code, including any actions taken to improve compliance.
 - Publication of an annual Code of Corporate Governance update. This must include an update on any new evidence we can present. It must also include self-assessment scoring of the evidence we have regarding: compliance with national guidance on each governance requirement; and details of any action planned to improve compliance during 2019/20.
 - Inclusion of an Annual Governance Statement in the Council's Annual Report and Accounts.

PROGRESS ON 2018/19 ACTIONS

8. In May 2019 an update on the actions from the 2018/19 Code of Corporate Governance update was produced. The update is attached at Annex 2 and was placed on the Council's website for public access.

9. Five of the six improvement activities listed in the 2018/19 code were completed:
- The development of the Essential Scrutiny Skills Programme for elected members is now complete with no demand for a follow-up session at this stage;
 - The workforce plan with actions defined for 2018–21 will be updated annually with actions reviewed quarterly by the Workforce Planning Working Group;
 - The update to the Information Security Policy is now complete and the Anti-Money Laundering policy was approved by Cabinet in August 2018 with finalised training due to be rolled out to key members of staff over summer 2019;
 - The new Finance, Procurement, Payroll and HR system was procured and contract awarded in March 2019; and
 - A co-ordinated approach to the development of key corporate plans linked to the future use and management of our finances, resources, assets and workforce was reported to Cabinet as part of Best Value Assurance recommendations in April 2018 and 2019.

Work on the new "Anti-Fraud, Bribery and Theft" Strategy has been completed in line with the CIPFA "Code of Practice on Managing the Risk of Fraud and Corruption" and an annual report on fraud will be submitted for approval in 2020 to ensure full compliance.

UPDATED CODE OF CORPORATE GOVERNANCE FOR 2018/19

10. The updated Code of Corporate Governance for 2019/20 is included at Annex 1 and sets out arrangements which fulfil the seven governance principles outlined in the national guidance. The CIPFA / SOLACE framework emphasises that councils should:

- keep codes of corporate governance under review;
- carry out a process of self-evaluation scoring; and
- develop actions to address any gaps or areas for improvement in governance arrangements.

The self-assessment scoring of this year's code found that we were fully compliant across all governance principles with the exception of being partially compliant in the area under the principle *behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law*, sub principle *ensuring corruption and misuse of power are dealt*

with effectively; and in the area under the principle of managing risks and performance through robust internal control and strong financial management, sub principle ensuring effective counter fraud and anti-corruption arrangements are in place. Action has been taken in this area to review our counter fraud and anti-corruption arrangements with an annual report on fraud scheduled to be submitted for approval in 2020.

11. A number of actions to be undertaken in 2019/20 to further improve compliance with the Code have been identified. Each action has been included only once to avoid duplication, with any references to other relevant supporting principles included for information. Key actions for 2019/20 are:

- Full review of the Code of Conduct for Employees considering all related documents, changes to legislation, feedback from employees and managers and the principles in the CIPFA Code;
- Review of council values with stakeholder engagement resulting in the launch of updated council values which will be embedded through the provision of toolkits and briefings;
- A new “Anti-Fraud, Bribery and Theft” Strategy has been prepared for consideration by Corporate Management Team and an annual report on fraud will be submitted for approval in 2020 to ensure full compliance;
- Engagement of internal and external stakeholders for input into design of customer processes for implementation of new Customer Experience system and Council website; and
- The current Performance Review and Development (PRD) scheme has been re-developed to move to Quality Conversations and promote a more open and constructive discussion between employees and managers with briefing sessions ongoing.

12. Once approved, the Code of Corporate Governance 2019/20 will be made available on the Council’s website and a progress update on the actions will be made in May 2020 after the close of the 2019/20 financial year.

ANNUAL GOVERNANCE STATEMENT

13. As part of the SOLACE/CIPFA corporate governance framework the Leader and the Chief Executive are responsible for ensuring the inclusion of the Annual Governance Statement in the Annual Report and Accounts. The 2018/19 Annual Report and Accounts is to be published later in the year. This Statement includes a progress summary of the 2018/19 Code of Corporate Governance actions and also references the 2019/20 Code.

CONCLUSION

14. Based on the evidence presented here East Renfrewshire Council is governed by sound and effective internal management controls and continues to demonstrate compliance with the requirements of the CIPFA/SOLACE Framework: *“Delivering Good Governance in Local Government.”*

15. As part of the annual review process the Code of Corporate Governance has been updated and scored in line with evidence and in consultation with colleagues across the Council. Progress on planned actions for last year (2018/19) has been posted on the Council’s website, accessible [here](#). Subject to Audit and Scrutiny Committee’s approval the new revised Code for 2019/20 will also be posted on the Council’s website in June 2019.

RECOMMENDATIONS

16. The Audit and Scrutiny Committee is asked to:-
- (a) Note progress on the 2018/19 Code of Corporate Governance improvement actions; and
 - (b) Approve the Code of Corporate Governance updates and actions for 2019/20 (Annex 1).

Caroline Innes
Deputy Chief Executive
4 June 2019

Report author:
Stephen Fraser, Corporate Policy Assistant, Tel: 0141 577 3855;
stephen.fraser@eastrenfrewshire.gov.uk

BACKGROUND PAPERS

- Code of Corporate Governance, Audit & Scrutiny Committee, 21 June, 2018

KEYWORDS

(governance, code, corporate, principles, CIPFA, SOLACE, LAN, accountability, improvement actions, leadership).

CODE OF CORPORATE GOVERNANCE 2019/20

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1– not; 2– partial; 3–fully)	Further Action Required
1. Behaving with integrity	1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation	<ul style="list-style-type: none"> • Code of Conduct for Members & Employees • Members' Induction • Council Values (reviewed 2019) • Performance Review and Development (reviewed 2019 – launch of new Quality Conversations framework) 	3	Full review of the Code of Conduct considering all related documents, changes to legislation, feedback from employees and managers and the principles in the CIPFA Code A Findlay Sep 2019
	1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles)	<ul style="list-style-type: none"> • Council Values • HR notices and policies • Customer Care standards • Council website • Communications Strategy • Vision for the future (reviewed 2019) • Citizens' panel findings on demonstrating council values 	3	Review of council values with stakeholder engagement resulting in launch of updated council values which will be embedded through the provision of toolkits and briefings. P Cameron Dec 2019
	1.3 Leading by example and using these standard operating principles or values as a framework for decision making and other actions	<ul style="list-style-type: none"> • Minutes of meetings • Council Standing Orders • Audit and Scrutiny Committee • Scheme of Administration • Scheme of delegated functions • Council values • Register of interests 	3	

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1– not; 2– partial; 3–fully)	Further Action Required
	1.4 Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively	<ul style="list-style-type: none"> • HR notices and policies • Social Media Policy & Media Protocol • Anti-fraud and Bribery strategy • Register of interests • Complaints policy, procedure & report • Unacceptable Actions Policy • Code of Conduct for Members & Employees • Council Values • Standard Operating Procedures MAP project • Leadership Competencies • Management & Leadership Development Programmes 	3	
2. Demonstrating strong commitment to ethical values	2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance	<ul style="list-style-type: none"> • Minutes of Committee meetings • Council Standing Orders • Audit and Scrutiny Committee chaired by opposition group on Council • Scheme of Administration • Scheme of delegated functions 	3	
	2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation	<ul style="list-style-type: none"> • Members' Induction • Code of Conduct for Members & Employees • Scheme of delegated functions • Council Values • Leadership Competencies 	3	

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1– not; 2– partial; 3–fully)	Further Action Required
	2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values	<ul style="list-style-type: none"> • HR notices and policies • Contract Standing Orders • Performance Review and Development • Chief Executive performance review meetings • Recruitment and Selection Code of Practice • Discipline & Grievance procedures • Corporate Procurement Strategy 	3	
	2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation	<ul style="list-style-type: none"> • Code of Conduct for Members & Employees • Contract Standing Orders • General Conditions of Purchase • Corporate Procurement Strategy • Integration scheme for ER HSCP • Culture and Leisure Trust – Transfer of Services Agreement and Articles of Association 	3	
3. Respecting the rule of law	3.1 Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.	<ul style="list-style-type: none"> • Scheme of Administration • Council Values • Contract Standing Orders • Adherence to Local Government in Scotland Act • Other statutory provision (e.g. planning legislation, placing requests, freedom of information, data protection and health and safety requirements) • Role of Monitoring Officer • Financial Regulations 	3	

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1– not; 2– partial; 3–fully)	Further Action Required
	3.2 Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	<ul style="list-style-type: none"> • Code of Conduct for Members & Employees • Scheme of delegated functions • Job descriptions • Financial regulations • Compliant with CIPFA Statement on role of Chief Financial Officer • Council Standing Orders 	3	
	3.3 Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders	<ul style="list-style-type: none"> • Legal files and emails • ODP 	3	
	3.4 Dealing with breaches of legal and regulatory provisions effectively	<ul style="list-style-type: none"> • Role of Monitoring Officer • Legal files and emails (e.g. response to Housing Regulator reports) • Adherence to Local Government in Scotland Act 2003 • Other statutory provision (e.g. planning legislation, placing requests, freedom of information and data protection requirements) 	3	

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1– not; 2– partial; 3–fully)	Further Action Required
	3.5 Ensuring corruption and misuse of power are dealt with effectively	<ul style="list-style-type: none"> • Anti-fraud and Bribery Strategy (including probity register) • HR policies 	2	A new “Anti-Fraud, Bribery and Theft” Strategy has been prepared in line with the CIPFA “Code of Practice on Managing the Risk of Fraud and Corruption” and is due to be considered by CMT in June 2019. An annual report on fraud will be submitted for approval in 2020 to ensure full compliance. G Darbyshire 2020

BLANK PAGE

Principle B: Ensuring openness and comprehensive stakeholder engagement				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Openness	1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness	<ul style="list-style-type: none"> • Community Plan & Outcome Delivery Plan • Customer Care standards • National reporting requirements to Scottish Government/Audit Scotland • Internal Audit annual report • Local Scrutiny Plan • Annual Report & Accounts • Annual Performance Report • Council and CPP performance reports • Citizen Space engagement tool • Social media growth and content strategy • Council website • Citizens' Panel • Council Standing Orders • Annual efficiency statement • Planning for the future demographic document • National LGBF benchmarking report • Annual Complaints report • Chief Social Work Officer Annual Report • Publication Scheme • Records Management Plan • Fol annual report • Council values • Communications Strategy • Insider magazine • iMatter staff engagement tool • Programme reporting & governance 	3	

Principle B: Ensuring openness and comprehensive stakeholder engagement				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided	<ul style="list-style-type: none"> • Council meetings and webcasts • Council Standing Orders • Audit and Scrutiny Committee chaired by opposition group on Council • Scheme of Administration • Scheme of delegated functions 	3	
	1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear	<ul style="list-style-type: none"> • Scheme of Administration • Call-in procedure • Local Scrutiny Plan • Scheme of Delegated Functions • Committee Minutes and Committee reports • Risk management strategy • Options appraisal guidance and training • Reporting arrangements • Unacceptable Actions Policy • Audit & Scrutiny Committee 2012-17 Report 	3	
	1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action	<ul style="list-style-type: none"> • Community Plan • Community Planning Partnership • Citizen Space community engagement tool • Social media interaction • Citizens' Panel • Service-level customer communication • Digital Customer Experience principles • User/service design as part of MAP 	3	

Principle B: Ensuring openness and comprehensive stakeholder engagement				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
2. Engaging comprehensively with institutional stakeholders	2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably	<ul style="list-style-type: none"> • Outcome Delivery Plan • Vision for the Future strategy • Communications Strategy • Community Engagement for Fairer Eastren plan • Locality Planning 	3	
	2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively	<ul style="list-style-type: none"> • Citizens' Panel • Community Planning Partnership • Voluntary organisations database • Community Groups database • Community Plan (incorporating Fairer East Ren our LOIP) 	3	
	2.3 Ensuring that partnerships are based on: trust, a shared commitment to change, a culture that promotes and accepts challenge among partners, and that the added value of partnership working is explicit	<ul style="list-style-type: none"> • Community Planning Partnership • Integration scheme for ER HSCP • Culture and Leisure Trust – Transfer of Services Agreement and Articles of Association 	3	
3. Engaging stakeholders effectively, including individual citizens and service users	3.1 Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes	<ul style="list-style-type: none"> • Citizen Space community engagement tool • Community Planning Partnership • Council website • Participation Requests Framework 	3	

Principle B: Ensuring openness and comprehensive stakeholder engagement				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement	<ul style="list-style-type: none"> • Vision for the Future Citizen Space engagement tool • Service-level customer communication • Community Empowerment Act briefings • Community Engagement driver diagram • Communications Strategy • Social media growth and content strategy • Community engagement training 	3	
	3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs	<ul style="list-style-type: none"> • CPP needs assessment • Citizens' panel data trends • Citizen Space engagement tool • Planning for the Future document • Communications Strategy • Social media growth and content strategy • Community engagement on Fairer Eastren plan • Fairer Scotland Duty • Locality Planning 	3	
	3.4 Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account	<ul style="list-style-type: none"> • Citizen Space community engagement tool • Social media & Council website • Citizens' Panel • Complaints report • Communications Strategy 	3	
	3.5 Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity	<ul style="list-style-type: none"> • Citizen Space community engagement tool • Fairer Eastren community engagement exercise • Community Mapping • Locality Planning 	3	

Principle B: Ensuring openness and comprehensive stakeholder engagement				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	3.6 Taking account of the interests of future generations of tax payers and service users	<ul style="list-style-type: none"> • CPP needs assessment • Community mapping database • Social media engagement • Annual Report & Accounts • Annual Performance Report • Council and CPP performance reports • Vision for the Future • Financial Planning 2019-25 • Annual efficiency statement • Planning for the future demographic document 	3	

BLANK PAGE

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Defining outcomes	1.1 Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions	<ul style="list-style-type: none"> • Modern Ambitious change Programme (MAP) • Council vision, capabilities and values • Outcome Delivery Plan (ODP) • Annual updates on Community Plan and ODP • Council Report – Financial Planning 2019-25 • Community Planning Partnership (CPP) Board meetings • CPP Performance and Accountability (PAR) meetings • Vision for the Future • Strategic Planning update for Council, October 2018 • Driver diagrams for 5 capabilities (incl. modernisation, data, digital and empowering communities) 	3	
	1.2 Specifying the intended impact on, or changes in, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer	<ul style="list-style-type: none"> • Outcome Delivery Plan (ODP) • Vision for the Future strategy • MAP change programme • Directors of Finance- Economic Forecasts/Benchmarking • Communications Strategy • Locality Planning approach – Cabinet paper • Budget planning process 	3	

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available	<ul style="list-style-type: none"> • Annual updates on Community Plan and ODP • Annual report and accounts • Annual efficiency statement • Council Report – Financial Planning 2019-25 	3	
	1.4 Identifying and managing risks to the achievement of outcomes	<ul style="list-style-type: none"> • Strategic and operational risk registers • Risk reporting • Audit and Scrutiny and CMT risk monitoring • Risk Management Strategy • Business Continuity Planning 	3	
	1.5 Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available	<ul style="list-style-type: none"> • Public performance reporting • Budget consultation exercise • Community Empowerment Act paper January 2017 • Framework for participatory requests • Needs assessment and priorities • Participatory budgeting Roads pilot 	3	
2. Sustainable economic, social and environmental benefits	2.1 Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision	<ul style="list-style-type: none"> • Capital programme • City Deal • Invest East Renfrewshire • Sustainable procurement policy • Corporate Procurement Strategy • City Deal procurement strategy • Budget Strategy Group and annual budget process • PEST analysis in Vision for the Future 	3	

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints	<ul style="list-style-type: none"> • Agendas and minutes of meetings • Council Report – Financial Planning 2019-25 • Budget Strategy Group and annual budget process • Strategic risk register monitoring 	3	
	2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs	<ul style="list-style-type: none"> • Agendas and minutes of meeting • Council standing orders • Council website • Scheme of Administration • Budget consultation exercise • Main Issues Report & Local Development Plan 	3	
	2.4 Ensuring fair access to services	<ul style="list-style-type: none"> • Adhering to statutory guidance • Equality Impact Assessments • Equality Outcomes Mainstreaming Plan and Report • Fairer Scotland Duty 	3	

BLANK PAGE

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Determining interventions	1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided	<ul style="list-style-type: none"> Options appraisals (including guidance & training) – mainstreamed into MAP & financial bid processes Council standing orders Agenda and minutes of meetings Corporate template - options 	3	
	1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resource available including people, skills, land and assets and bearing in mind future impacts	<ul style="list-style-type: none"> Financial planning and financial management Budget Strategy Group Use citizens' panel data Participatory budget pilot Service/user design via MAP 	3	
2. Planning interventions	2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets	<ul style="list-style-type: none"> Cabinet system of governance Annual Cabinet work plan Six monthly performance monitoring MAP & Investment Programme governance Multi-year budgeting 	3	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered	<ul style="list-style-type: none"> • Council website • Citizen's Space • Communications Strategy 	3	Engagement of internal and external stakeholders for input into design of customer processes for implementation of new Customer Experience system and Council website. Digital Customer Experience Dec 2020
	2.3 Considering and monitoring risks facing each partner when working collaboratively including shared risks	<ul style="list-style-type: none"> • Community Planning Partnership • Risk Management Strategy • Strategic Risk Register • Business Continuity Planning 	3	
	2.4 Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances	<ul style="list-style-type: none"> • Council standing orders • Call-in procedure • Scheme of Administration • Council standing orders • Range of budget scenarios • MAP & investment programme governance 	3	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured	<ul style="list-style-type: none"> • Performance Management Framework • Evaluative approach to Service Business Planning • Outcome strategies • Outcome Delivery Plan 2019/22 • Community Plan 	3	
	2.6 Ensuring capacity exists to generate the information required to review service quality regularly	<ul style="list-style-type: none"> • Performance Management System • RAG status included in reports • 6 monthly performance reporting • Local Scrutiny Plan 	3	
	2.7 Preparing budgets in accordance with organisational objectives, strategies and the medium-term financial plan	<ul style="list-style-type: none"> • Financial planning and management • Budget Strategy Group • Financial Planning 2019-25 	3	
	2.8 Informing medium and long-term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy	<ul style="list-style-type: none"> • Financial planning and management • Budget Strategy Group • Outcome Delivery Plan • Reserves policy • Capital Investment Strategy • Asset Management Plans • Workforce Plan • Change plans 	3	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
3. Optimising achievement of intended outcomes	3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints	<ul style="list-style-type: none"> • Financial management and planning • Budget Strategy Group • Capital Investment Strategy • Asset Management Plans • Budget engagement process • Capital planning • Local Development Plan • Participatory budgeting approach 	3	
	3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term	<ul style="list-style-type: none"> • Asset Management Plans • Corporate Asset Management Group • Capital Project Appraisal Forms • Financial Planning • Revenue Savings Templates • Corporate Resource Planning (e.g. transformation fund, restructuring budget) 	3	
	3.3 Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage	<ul style="list-style-type: none"> • Financial Planning and management 	3	

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	3.4 Ensuring the achievement of 'social value' through service planning and commissioning	<ul style="list-style-type: none"> • Economic Development & City Deal approaches to community benefits • Change programmes • Corporate procurement • Alternative models of service delivery (HSCP) 	3	

BLANK PAGE

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Developing the entity's capacity	1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness	<ul style="list-style-type: none"> • Annual ODP review • Performance Management Framework • Corporate Asset Management Group • Job descriptions/person specifications • Audit and Scrutiny Committee • Service level annual self-evaluations • Inspection regimes • Asset Management Plans • Local Scrutiny Plan 	3	
	1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently	<ul style="list-style-type: none"> • Procurement Strategy • Option appraisal • APSE benchmarking reports • Participation in benchmarking groups & Local Government Benchmarking Framework report 	3	
	1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved	<ul style="list-style-type: none"> • CoSLA • Improvement Service engagement • Community Planning Partnership • ERCL Trust • HSCP • City Deal • Scotland Excel • Local Government Digital Partnership • Clyde Valley arrangements • Shared services/collaborative arrangements 	3	

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	<ul style="list-style-type: none"> • Workforce Plan and driver diagram • Planning for the Future staff profile • Vision for the Future strategy 	3	
2. Developing the capability of the entity's leadership and other individuals	2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained	<ul style="list-style-type: none"> • Scheme of delegated functions • Elected member inductions • Scheme of Administration • Codes of Conduct for Employees & Members • Anti-fraud and Bribery Strategy • Job descriptions 	3	
	2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body	<ul style="list-style-type: none"> • Scheme of delegated functions • Council standing orders • Contract standing orders 	3	
	2.3 Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure, whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority	<ul style="list-style-type: none"> • Job descriptions • Scheme of delegated functions • Performance Review and Development • Six monthly corporate performance reporting 	3	

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.4 Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks	<ul style="list-style-type: none"> • Member and Officer induction programme • Leaders for the Future programme • Vision for the Future (incl. PEST analysis) • Briefings to Members • Corporate Training Calendar • Brightwave e-learning • Atomic online video training • Quality Conversations • Member Training and Development Plans • Organisational Development Board 	3	
	2.5 Ensuring that there are structures in place to encourage public participation	<ul style="list-style-type: none"> • Citizens' Panel • Citizens' Space engagement tool • Community Councils and Tenant group support • Service/User design as part of MAP • Supporting community groups 	3	
	2.6 Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections	<ul style="list-style-type: none"> • Member support team • Chief Executive and Member meetings • Member Training and Development Plans • Leadership training 360 feedback • iMatter employee engagement tool 	3	

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.7 Holding staff to account through regular performance reviews which take account of training or development needs	<ul style="list-style-type: none"> • Quality Conversations • Training and Development Plans • Annual review corporate training programme • Chief Executive and Member meetings 	3	The current PRD (Performance Review and Development) scheme has been developed to move to Quality Conversations (QC) to promote a more open and constructive discussion between employees and managers. QC was launched in Apr 19 and briefing sessions are ongoing to educate on new scheme. P.Cameron Mar 2020
	2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing	<ul style="list-style-type: none"> • HR and Health and Safety policies • Healthy Working Lives Award • Employee counselling provision • Occupational Health provision including physiotherapy • Stress risk assessment 	3	

Principle F: Managing risks and performance through robust internal control and strong public financial management				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Managing risk	1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making	<ul style="list-style-type: none"> • Scheme of Administration • Scheme of Delegated Functions • Risk management strategy • Corporate Management Team monitoring • Business Continuity Planning 	3	
	1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively	<ul style="list-style-type: none"> • Risk management strategy 	3	
	1.3 Ensuring that responsibilities for managing individual risks are clearly allocated	<ul style="list-style-type: none"> • Risk management strategy • Risk Management Group • Audit and Scrutiny Committee role • Operational risk registers 	3	
2. Managing performance	2.1 Monitoring service delivery effectively including planning, specification, execution and independent post-implementation review	<ul style="list-style-type: none"> • Strategic planning and performance arrangements (ODP, Community Plan) • Council Minutes and Committee reports • Performance Management Framework • Corporate Asset Management Group 	3	
	2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook	<ul style="list-style-type: none"> • Member Support team • Corporate committee template requirements • Council Minutes and Committee reports 	3	

Principle F: Managing risks and performance through robust internal control and strong public financial management				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.3 Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (OR, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making	<ul style="list-style-type: none"> • Scheme of Administration • Scheme of Delegated Functions • Code of Conduct for employees & Members • Recruitment and Selection Code of Practice • Register of interests • Anti-fraud & Bribery Strategy • Council Standing Orders • Annual Governance Statement • Adherence to Local Gov. in Scotland Act 	3	
	2.4 Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement	<ul style="list-style-type: none"> • Directors 1:1 with Convenors • Performance management framework • Strategic and service business plan monitoring arrangements 	3	
	2.5 Ensuring there is consistency between specification stages (such as budgets) and post-implementation reporting (e.g. financial statements)	<ul style="list-style-type: none"> • Contract standing orders • Financial planning and management • Annual Report and Accounts 	3	
3. Robust internal control	3.1 Aligning the risk management strategy and policies on internal control with achieving objectives	<ul style="list-style-type: none"> • Risk management strategy • Strategic risk register • Internal audit plan and reports • Risks linked to outcomes in key plans 	3	
	3.2 Evaluating and monitoring risk management and internal control on a regular basis	<ul style="list-style-type: none"> • Risk management strategy • Budget monitoring arrangements 	3	
	3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place	<ul style="list-style-type: none"> • Anti-fraud & Bribery Strategy • Compliance with the Code of practice on managing the risk of fraud and corruption 	2	Action at A3.5

Principle F: Managing risks and performance through robust internal control and strong public financial management				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial;3 –fully)	Further Action Required
	3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor	<ul style="list-style-type: none"> • Annual Governance Statement • Annual Report and Accounts • Internal audit work plan • Audit and Scrutiny Committee oversight of Internal /External Audit and Strategic Risks 	3	
	3.5 Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment, that its recommendations are listened to and acted upon	<ul style="list-style-type: none"> • Audit and Scrutiny Committee chaired by opposition group on Council • Audit and Scrutiny Committee oversight of Internal /External Audit and Strategic Risks • Committee's use of 'call in' procedures • Additional officer support for Audit &Scrutiny Committee 	3	

Principle F: Managing risks and performance through robust internal control and strong public financial management				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
4. Managing data	4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data	<ul style="list-style-type: none"> • Code of Conduct for employees & Members • Recruitment and Selection Code of Practice • Register of Members' and Employees' interests • Anti-fraud & Bribery Strategy • Corporate training and guidance notes on FOI, Regulation of Investigatory Powers and Data Protection • Data Loss Prevention programme • Data Protection (e-courses) • Information Governance Officer • Data protection policies • Records Management Plan 	3	
	4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies	<ul style="list-style-type: none"> • Data Loss Prevention programme • Information Governance Officer • Data protection policies 	3	
	4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring	<ul style="list-style-type: none"> • Performance Management Framework • Sign off procedures • Mid and end year reporting • Mid and end year review meetings • LGBF analysis 	3	
5. Strong public financial management	5.1 Ensuring financial management supports both long-term achievement of outcomes and short-term financial and operational performance	<ul style="list-style-type: none"> • Financial planning and management arrangements • Council Report - Financial Planning 2017-2022 • Outcome Delivery Plan • Finance Business Partner Approach 	3	
	5.2 Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	<ul style="list-style-type: none"> • Budget monitoring reports • Annual report and accounts • Annual Efficiency statement • Finance Business Partner Approach 	3	

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
1. Implementing good practice in transparency	1.1 Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate	<ul style="list-style-type: none"> • Council website • Corporate Reporting Format guidance • Communications strategy 	3	
	1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand	<ul style="list-style-type: none"> • Annual Public Performance Report • Council website- performance pages • Evaluation of public performance reporting arrangement 	3	
2. Implementing good practices in reporting	2.1 Reporting at least annually on performance, value for money and the stewardship of its resources	<ul style="list-style-type: none"> • Annual report and accounts • Annual Efficiency Statement • Annual Public Performance Report • Performance Management Framework • Local Government Benchmarking Framework • Annual Performance Report 	3	
	2.2 Ensuring members and senior management own the results	<ul style="list-style-type: none"> • Discussion at Council/Cabinet/Committees • Improvement actions and ownership • Chief Executive review meetings • Chief Executive PRD 	3	

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement)	<ul style="list-style-type: none"> Annual governance statement 	3	
	2.4 Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate	<ul style="list-style-type: none"> Annual governance statement- included in annual accounts and publicly available 	3	
	2.5 Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations	<ul style="list-style-type: none"> Recent review of annual account format to improve accessibility 	3	
3. Assurance and effective accountability	3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	<ul style="list-style-type: none"> Recommendations made by external audit acted upon (e.g. Local Scrutiny Plan) Audit Scotland Annual Audit Report to Members and the Controller of Audit East Renfrewshire Best Value report 	3	
	3.2 Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon	<ul style="list-style-type: none"> Compliance with CIPFAs statement on the role of the head of internal audit Compliance with public sector internal audit standards 	3	
	3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations	<ul style="list-style-type: none"> Recommendations made by peer reviews/inspections/regulatory and bodies considered and included in plans for implementation e.g. thematic review cycle in schools 	3	

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability				
Sub Principle	Requirement	Evidence	Evaluation of Requirement Against Code (1 – not; 2 – partial; 3 – fully)	Further Action Required
	3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement	<ul style="list-style-type: none"> Annual Governance Statement 	3	
	3.5 Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met	<ul style="list-style-type: none"> Community Planning Partnership governance arrangements Ongoing approach to community engagement 	3	

BLANK PAGE

East Renfrewshire Council Corporate Governance - Key documents, supporting processes and monitoring

Corporate Governance comprises the systems and processes, cultures and values, by which councils are directed and controlled and through which they account to and engage with their communities

Key Documents

Strategies, standards and statements

Vision for the Future	Council Values
Outcome strategies	Efficiency Statement
Capital Investment Strategy	Governance Statement
Anti-Fraud and Bribery Strategy	Codes of Conduct
Corporate Procurement Strategy	Register of Interests
Risk Management Strategy	Social Media Policy & Protocol
Communications Strategy	Customer Care Standards
Strategic Risk Register	

Plans, policies and reports

Community Plan (including Fairer East Ren)	Public Performance Report
Outcome Delivery Plan	Internal Audit Reports
Local Scrutiny Plan	LGBF Benchmarking Report
Mainstreaming Equality Plan	Strategic Performance Reports
Asset Management Plans	Citizens' Panel Report
Records Management Plan	Audit & Scrutiny Reports
Workforce Plan	Financial Planning Report
Complaints Policy	Annual Report & Accounts
Unacceptable Actions Policy	Employee Survey
Meeting Agendas and Minutes Programmes	Change & Investment
Local Development Plan	
Service Business Plans	

Supporting Processes and Monitoring

- HR policies
- Leadership Competencies
- Recruitment Code of Practice
- Inductions and training
- Quality Conversations framework
- Job Descriptions
- iMatter employee engagement process
- Monitoring Officer
- Performance Management Framework
- Self-evaluations
- Inspection regimes
- Council website
- Community Planning Partnership
- Budget monitoring
- Data Protection/Information Governance policies
- Risk Monitoring
- Audit & Scrutiny Committee
- Council Standing Orders
- Scheme of Delegated functions
- Scheme of Administration
- Contract Standing Orders
- Financial Regulations

BLANK PAGE

EAST RENFREWSHIRE COUNCIL

Update on CODE OF CORPORATE GOVERNANCE
2018/19 Improvement Actions

In June 2018 East Renfrewshire Council's Audit and Scrutiny Committee approved the local Code of Corporate Governance 2018/19. The code is a Council statement of the structures and working arrangements in place for internal policy-making; community leadership; partnership working and accountability mechanisms that are in place. As well as self-assessing our local code's compliance against the national prescribed scoring, the statement also included a number of improvement actions to be carried out in 2018/9. A progress update on the improvement actions is listed below. For more information contact the Policy and Improvement Unit. Tel: 0141 577 3855.

Principle A			
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law			
Supporting Principle	Requirement	Further Action Required	
3. Respecting the rule of law	3.2 Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements	Development of Essential Scrutiny Skills Programme for elected members. Programme to run over 2018/19 with a completion date of March 2019 - Eamonn Daly, Linda Hutchison and Pauline Cameron.	COMPLETE The development of the Essential Scrutiny Skills Programme for elected members is now complete with no demand for a follow-up session at this stage.
Principle E			
Developing the entity's capacity, including the capability of its leadership and the individuals within it			
Supporting Principle	Requirement	Further Action Required	
1. Developing the entity's capacity	1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources	Finalise and implement actions for year one of the workforce action plan by March 2019 – Sharon Dick.	COMPLETE Workforce plan with actions defined for 2018–21. Plan to be updated annually and actions to be reviewed quarterly by the Workforce Planning Working Group.

Principle F: Managing risks and performance through robust internal control and strong public financial management			
Supporting Principle	Requirement	Further Action Required	
3. Robust internal control	3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place	Update Information Security Policy and Anti-Money Laundering policy by March 2019 - Murray Husband and Margaret McCrossan.	COMPLETE The update to the Information Security Policy is now complete. The Anti-Money Laundering policy was approved by Cabinet on 16 August 2018 with finalised training due to be rolled out to key members of staff over summer 2019. These staff will in turn roll out the training to their teams.
	3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place	Undertake further work to review counter fraud and anti-corruption arrangements to ensure these are in line with the CIPFA "Code of Practice on Managing the Risk of Fraud and Corruption" by March 2019 – Gill Darbyshire.	ONGOING A new "Anti-Fraud, Bribery and Theft" Strategy has been prepared in line with the CIPFA "Code of Practice on Managing the Risk of Fraud and Corruption" and is due to be considered by CMT on 21 May 2019. An annual report on fraud will be submitted for approval in 2020 to ensure full compliance.
5. Strong public financial management	5.2 Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls	Procure new Finance, Procurement, Payroll & HR system by March 2019 – Richard Morrison.	COMPLETE The new system was procured and contract awarded by March 2019.
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability			
3. Assurance and effective accountability	3.1 Ensuring that recommendations for corrective action made by external audit are acted upon	Co-ordinate our approach to the development of key corporate plans with the use and management of our finances, resources, assets and workforce and incorporate this into our future strategic planning and budgeting arrangements by December 2018 – Louise Pringle.	COMPLETE Co-ordinated approach completed and reported to Cabinet as part of Best Value Assurance recommendations in April 2018 and 2019. Report submitted to Council in October 2018 outlining medium and long term strategies and their strategic links.

			<p>Senior management workshop session on our Vision for the Future hosted by the Chief Executive in November 2018.</p> <p>New approach to service business planning introduced in 2018 and being rolled out over 2019.</p> <p>Outcome Delivery Plan for 2018-21 approved in May 2018 and Community Plan including Fairer East Ren (Local Outcome Improvement Plan) approved in June 2018.</p> <p>Workforce Plan linked to strategic plans and long term Financial Plan approved in February 2019.</p>
--	--	--	---

BLANK PAGE

AUDIT AND SCRUTINY COMMITTEE20 June 2019Report by Head of Accountancy (Chief Financial Officer)UNAUDITED ANNUAL ACCOUNTS FOR 2018/19**PURPOSE OF REPORT**

1. The Annual Accounts for 2018/19 have been submitted for audit to Audit Scotland and a copy is now attached for consideration by the Audit and Scrutiny Committee.

RECOMMENDATION

2. The Committee is invited to: -
- Note the content of the Annual Accounts for 2018/19.

BACKGROUND

3. The Annual Accounts for 2018/19 have been submitted for audit to Audit Scotland and in line with the Local Authority Accounts (Scotland) Regulations 2014 they are attached as Appendix 1 for consideration by the Audit and Scrutiny Committee. The audited accounts will be submitted to the Audit and Scrutiny Committee in September, prior to final Council approval.

REPORT

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

- As the Council operated comfortably within budget it did not require to drawdown £1,355k from reserves as planned and the accounts reflect transfers totalling £2,734k from the General Fund balance to the following reserves:-

	£'000
General Fund	
Non-Earmarked	384
Modernisation Fund	1,000
Equalisation Reserve	200
Feasibility Fund	<u>200</u>
	1,784
Capital Reserve	550
Repairs & Renewals Fund	<u>400</u>
	<u>2,734</u>

- The Council's Non-Earmarked General Fund reserve has been increased by £384k resulting in a balance of £10,517k as at 31 March 2019 (4.3% of the annual budgeted

net revenue expenditure). This is slightly above the Council's most prudent target level of 4%, however the balance will significantly reduce as the Council has budgeted to utilise £4,312k of this reserve during 2019/20.

- The accounts reflect the proposed establishment of a Feasibility Fund to permit early preparation and investigations for potential capital projects. This will enable a faster start on major new capital schemes as work to identify any design or ground condition issues can be taken forward in advance of formal approval of the Capital Plan.
- Capital Expenditure of £41,187k was invested.
- There has been an operating surplus of £89k on the Housing Revenue Account, this increasing the accumulated surplus balance to carry forward to £1,718k.

RECOMMENDATION

5. The Committee is invited to: -

- Note the content of the Annual Accounts for 2018/19.

REPORT AUTHOR

Head of Accountancy - Margaret McCrossan
Chief Accountant - Barbara Clark Tel 0141 577 3068
E-mail. Barbara.Clark@EastRenfrewshire.gov.uk

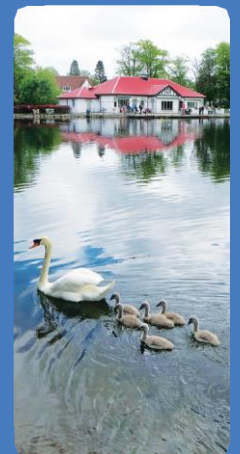
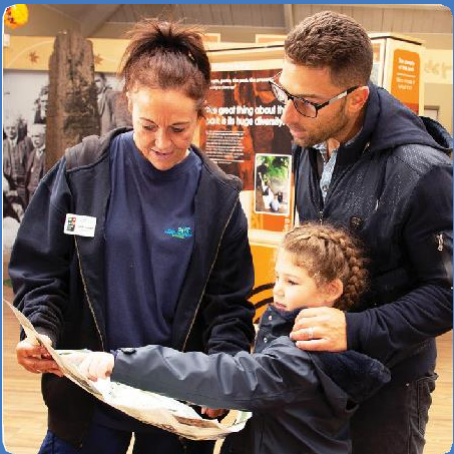
BACKGROUND PAPERS

This report refers to the Council's Annual Accounts for 2018/19.

KEY WORDS

Annual Accounts, external audit

UNAUDITED ANNUAL ACCOUNTS 2018/19



BLANK PAGE



Contents

Management Commentary	5 – 27
Statement of Responsibilities	28
Annual Governance Statement 2018/19	29 – 33
Remuneration Report	34 – 42
Comprehensive Income and Expenditure Statement	43
Movement in Reserves Statement	44
Balance Sheet	45
Cash Flow Statement	46
Note 1 Accounting Policies	47 – 59
Note 2 Prior Year Adjustment	60 - 61
Note 3 Expenditure and Funding Analysis	62
Note 4 Note to the Expenditure & Funding Analysis	63 - 64
Note 5 Accounting Standards that have been issued but have not yet been adopted	64
Note 6 Expenditure and Income Analysed by Service	65
Note 7 Critical Judgements in Applying Accounting Policies	66
Note 8 Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	66 – 67
Note 9 Comprehensive Income and Expenditure Statement – Material Items of Income and Expense	67
Note 10 Events After the Balance Sheet Date	67
Note 11 Movement in Reserves Statement – Adjustments between Accounting Basis and Funding Basis under Regulations	67 – 69
Note 12 Movement in Reserves Statement – Transfer to/from Earmarked Reserves	70
Note 13 Comprehensive Income & Expenditure Statement – Other Operating Expenditure	70
Note 14 Comprehensive Income and Expenditure Statement – Financing and Investment Income and Expenditure	71
Note 15 Comprehensive Income and Expenditure Statement – Taxation and Non-specific Grant Income	71
Note 16 Property, Plant and Equipment	72 – 74
Note 17 Heritage Assets	75
Note 18 Intangible Assets	76
Note 19 Assets held for Sale	77
Note 20 Financial Instruments	78 – 80
Note 21 Debtors	81
Note 22 Debtors for Local Taxation	81



Contents (cont'd)

Note 23 Cash Flow Statement – Cash and Cash Equivalents	81
Note 24 Creditors	82
Note 25 Provisions	82
Note 26 Balance Sheet – Unusable Reserves	83 - 86
Note 27 Cash Flow Statement – Operating Activities	86 - 87
Note 28 Cash Flow Statement – Investing Activities	87
Note 29 Cash Flow Statement – Financing Activities	87
Note 30 Agency Services	87
Note 31 External Audit	87
Note 32 Grant Income	88
Note 33 Related Parties	88 – 89
Note 34 Capital Expenditure and Capital Financing	89 – 90
Note 35 Leases	91 – 92
Note 36 Private Finance Initiatives and Similar Contracts	92 - 96
Note 37 Impairment Losses	96
Note 38 Termination Benefits	96
Note 39 Pension Schemes Accounted for as Defined Contribution Schemes	96 – 97
Note 40 Defined Benefit Pension Schemes	97 - 103
Note 41 Contingent Liabilities	103
Note 42 Nature and Extent of Risks Arising from Financial Instruments	103 - 108
Note 43 Heritage Assets: Five Year Summary of Transactions	108
Housing Revenue Account Income and Expenditure Statement	109
Notes to the Housing Revenue Account	110 - 111
National Non Domestic Rates	112
Council Tax	113 – 114
Common Good Fund	115 – 116
Group Comprehensive Income and Expenditure Statement	117
Group Movement in Reserves Statement	118
Group Balance Sheet	119
Group Cash Flow Statement	120
Notes to the Group Accounts	121 - 128
Glossary of Terms	129 - 130



Management Commentary

1. Introduction

The purpose of this statement is to outline key messages regarding the objectives and strategy of the Council and its financial performance during 2018/19 and also to provide an indication of issues and risks which may impact upon the finances of the Council in the future

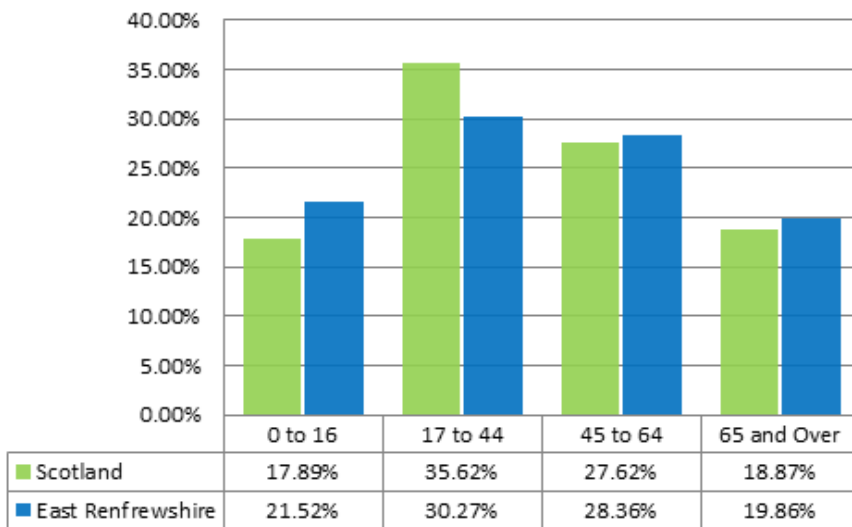
East Renfrewshire and the local authority

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. There is also an extensive hinterland to the south, within which the villages of Uplawmoor, Neilston, Waterfoot and Eaglesham are located. Approximately 16% of the area is urban and 84% is rural.



The population of East Renfrewshire at 30th June 2018 was 95,170*. This is the Authority's highest ever population, with an increase from 2017 of 0.43%, and is 6.65% higher than the population in 2009. The 2016 Population Projections show that East Renfrewshire's population is to continue to steadily increase. 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 45 to 64, and 65 and overs.

Table 1: Population Structure East Renfrewshire v Scotland 2018



The population of East Renfrewshire increased by 0.43% between 2017 and 2018

*Source 2018 Mid Year Estimates, National Records of Scotland



Management Commentary (cont'd)

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. There was no overall political control of the Council and the administration is made up of a coalition comprising of 5 SNP, 4 Labour and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.

Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which are intended to present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2019.

The Accounts are subject to statutory audit and incorporate the information required by the Code of Practice on Local Authority Accounting in the United Kingdom.

The financial statements which follow show the Council's main sources of funding and provide an account of expenditure on service activities.

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 which are required to provide services where the benefits will be derived over a number of years.



The Financial Statements show the Council's main sources of funding





Management Commentary (cont'd)

2. 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 we are delivering on with our partners as set out in our Community Plan incorporating Fairer East Ren.

Our Outcomes are:-

<p>Early Years and Vulnerable Young People</p>	<p>All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.</p>	
<p>Learning, Life and Work</p>	<p>East Renfrewshire residents are healthy and active and have the skills for learning, life and work.</p>	
<p>Environment and Economy</p>	<p>East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.</p>	
<p>Safer, Supported Communities</p>	<p>East Renfrewshire residents are safe and live in supportive communities.</p>	
<p>Older People and People with Long-term Conditions</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 5 capabilities that we need to excel at as a Council. These are the focus of our improvement work to maintain our position as one of the best councils in Scotland. They are:

FIVE CAPABILITIES

PREVENTION



We will ...

Choose to prevent problems from occurring in our communities, rather than trying to fix what has already gone wrong.

We will ...

Instinctively take a preventative approach in our daily work, placing children, early years and the reablement of our elderly at the heart of how we plan services.

EMPOWERING COMMUNITIES



We will ...

Place a high value on listening to local people and asking for their views. We will work hand in hand to plan and deliver the services that truly make lives better.

We will ...

Listen, understand and respect, empowering our communities to do more for themselves.

DATA



We will ...

Seek and share meaningful information to plan our services and measure if we are getting it right. We will not collect numbers for the sake of it.

We will ...

Use data to plan, we will evidence what works, and we will benchmark what we do with those who might be doing it better.

MODERNISATION



We will ...

Continually look for ways to modernise and improve how we do things. We will make it easier for local people to access our services.

We will ...

Put a stop to bureaucracy and inefficient processes. We will focus on what is best for local people and not what is easiest for us.

DIGITAL



We will ...

Choose to be digital by default wherever possible. We will examine and digitise our processes to make it easy for people to access our services online.

We will ...

Encourage local people to use our website and social media to speak to us, and each other, 24/7, 365 days a year.



Management Commentary (cont'd)

Strategic Planning and Performance

The Council has well established strategic planning and performance management arrangements which are embedded into the work of all employees through a clear “golden thread”, that runs from our vision, strategic plans and outcomes through to services’ plans and employees’ individual jobs. This approach aims to ensure employees know how they contribute to 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.

Work has been carried out to improve the integration of strategic and operational planning. The key focus for strategic planning this year is to further develop our long term strategy (10 year focus) for the Council entitled, **Vision for the Future** which reflects the updated Community Plan and the long term ambition of the Council’s change programme. Further work to develop Vision for the Future will take place over 2019.

The Community Plan (incorporating Fairer East Ren, East Renfrewshire’s Local Outcome Improvement Plan) sets out the strategic outcomes and priorities for the Community Planning Partnership. Fairer East Ren is focused on tackling inequalities and closing the gap between communities. For the Partnership and the Council the joint outcomes cover individuals’ life stages:

- Early Years and Vulnerable Young People
- Learning, Life and Work
- Economy and Environment
- Safe, Supportive Communities
- Older People & People with Long-term Conditions

The Outcome Delivery Plan shows how the Council will work towards achieving these outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency.

The Council’s strategic performance management arrangements include six monthly reporting to Council on council wide performance, augmented by six monthly performance review meetings involving the Chief Executive, each Director and service managers.

We report on our performance using a balanced scorecard approach covering performance against a set of critical indicators and activities set out in our strategic plans. We cover:-

- Outcomes – What difference are we making to residents’ lives? Are we achieving our local outcomes?



**The Council’s
Performance
Report
demonstrates
our progress
in delivering
our outcomes.**



Management Commentary (cont'd)

- Customers – Are we meeting customers' and stakeholders' needs and expectations?
- Efficiency – Do our business processes operate efficiently?
- People – Are we supporting our staff to ensure that the Council is delivering its outcomes?

The Council's strategic performance is reported to elected members twice a year in December and June. The report includes a wide range of information, demonstrating our progress towards our outcomes and performance on complaints handling. We also present a range of in year reports on service specific and financial information to elected members and the public. Throughout the year, elected members, managers and employees use performance information to evaluate, scrutinise results and take action to drive and inform areas for further improvement across services.

We report regularly to the public and our stakeholders on performance against our outcomes and priorities in many ways, with varied levels of detail for different audiences. We use a wide variety of mechanisms including social media to show accountability, transparency and provide the public with good quality performance information.

To access further performance information on how the Council is performing, including trend data, planned activities, targets, and benchmarking information visit:-

www.eastrenfrewshire.gov.uk/performance

Workforce Planning

The key workforce priorities to support the Council delivery of services are:

- We have established a workforce with employees with the right skills, tools, environment and knowledge that meet the current and future demands
- We have engaged employees who are motivated to deliver our outcomes
- We have a workforce that has a digital approach and supports business transformation

The Council's Workforce Plan is aligned over the same three year period as the multiyear budget approach for 2018/19 – 2020/21. By planning over a three year period it allows for better prediction of potential changes to workforce shape and size and allows time to plan appropriately for these changes to the workforce. There is a workforce planning working group in place who regularly review the overall strategy and actions for our longer



**Trend data,
planned
activities,
targets and
benchmarking
information.**



Management Commentary (cont'd)

term Workforce Plan. Originally for the three years 2018/19 – 2020/21 it was forecast that the Council would have to identify savings of £28.5 million to balance the budget and it was estimated that there would be a reduction of around 265 posts from the current Council structure. Through our 3 year budget planning we have communicated these plans for a reduction in the workforce to our employees and it is hoped to achieve these reductions without the need for compulsory redundancies. It should be noted that the Full Time Equivalent (FTE) reduction of 265 posts is indicative and will be dependent on the outcome of re-structure reviews and has not been re-visited since the three year budget savings requirement has increased to £32.8 million.

There will also be new roles and retraining opportunities created as the needs of the Council change and employees will be supported in these opportunities where appropriate. There are a number of transformational change programmes ongoing across the Council to ensure that we will have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. This will deliver rationalised management structures, new operating models and establish more cross-functional and collaborative working to improve resilience.

However at the same time as reducing our workforce in certain areas there are other areas of growth, notably the requirement for more employees to support the commitment by the Scottish Government to increased childcare hours. Over the next few years the Council expects more than 200 new early years support roles will be created as ERC works to implement new government targets, resulting in both recruitment and retraining opportunities. An Early Years Workforce Action Plan has been created to support this area of work and is being governed by the Education team. As we bring Early Years posts online these will be built in as new spending pressures in the relevant year therefore when these growth areas are considered there should be less of an impact on overall workforce in the Council by 2021.

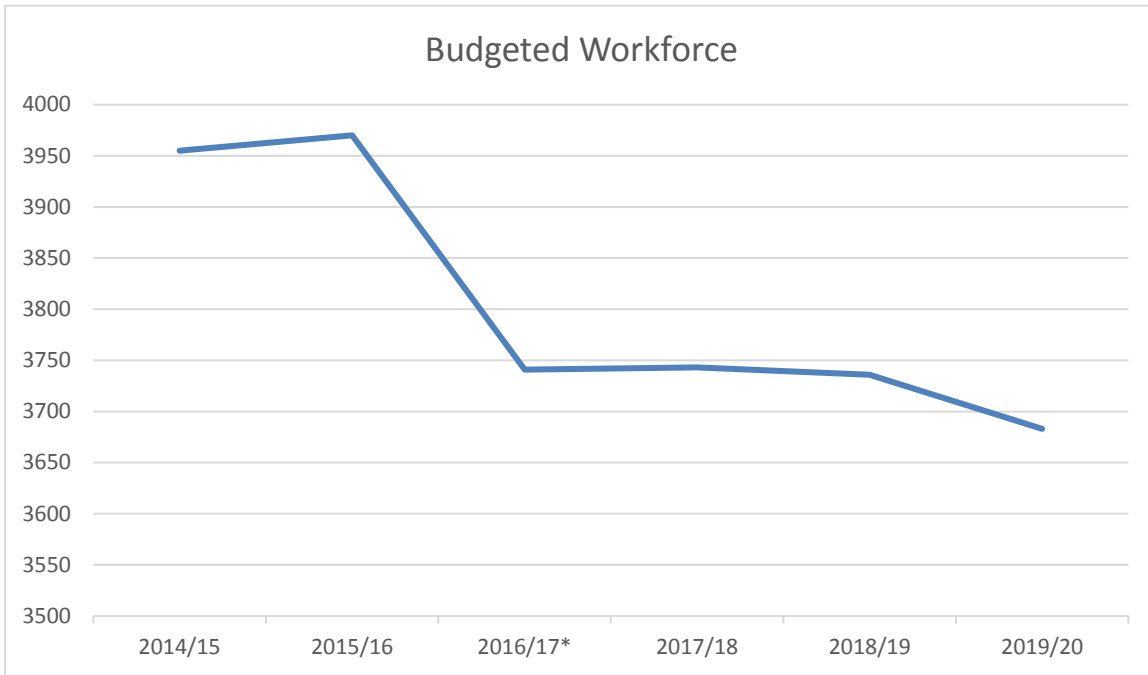
The chart below shows how the Council's budgeted workforce has changed in recent years:-



**The Council
will create new
roles and
retraining
opportunities**



Management Commentary (cont'd)



*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.

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 carries out periodic employee surveys, whereby the views of the workforce are sought in addition to regular consultations with staff and trade unions. The Corporate Communications Unit posts updates on the Council’s internal website along with the Chief Executive’s blog on a regular basis.



The Council carries out periodic employee surveys.

Budget Process

Following the success of the Council’s previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2017, on setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2018/19 and indicative budgets for 2019/20 and 2020/21 were approved by Council in March 2018 and the indicative budgets were updated and approved in February 2019. The Council continues to actively seek out efficiencies in service delivery with around 70% of the approved savings measures for the Council, excluding the Integration Joint Board, for the financial years 2018/19 to 2020/21 relating to efficiencies or the Council’s



Savings totalling £26.9m were agreed for 2018/2021



Management Commentary (cont'd)

Modern Ambitious Programme. It is estimated that savings totalling £32.8m will have to be found over the period 2018/2021. Savings totalling £26.9m have been agreed, leaving an estimated shortfall of £5.9m to be identified in 2020/21. Capital plans have also been agreed for the General Fund, covering the period 2019/20 to 2026/27, and Housing, covering the period 2019/20 to 2023/24.

Fund Balances

Fund balances are shown on the Balance Sheet and further information is provided in the notes attached thereto.

The level of funds is adjusted annually to take account of the following factors:-

- (i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim in 2018/19 was for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. The actual balance for 2018/19 was 4.3% to help fund the budgeted use of reserves in 2019/20. (2017/18 4.3%)
- (ii) To earmark funding to equalise future PFI/PPP payments.
- (iii) To earmark funding to enable the upfront investment required to drive forward the Council's Modern Ambitious (Change) Programme.
- (iv) To earmark funding from unspent grants, Whitelee Windfarm, commuted sums and Devolved School Management.
- (v) To earmark funds for feasibility studies to be carried out on potential capital projects.
- (vi) To provide insurance voluntary excess costs.
- (vii) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
- (viii) To make provision for anticipated future capital liabilities.

3. Financial Performance in 2018/19

Revenue Budget Performance

General Fund Revenue Balance

The General Fund Balance at the end of the year is £29.566m. The opening balance of £26.430m has been increased by an overall surplus of £3.136m. Within the General Fund balance an amount of £2.799m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £7.660m has been earmarked as a Modernisation Fund. Further amounts of £0.692m, £2.493m, £3.202m and £0.200m have also been earmarked for the Whitelee Wind Farm, commuted sums, Devolved School Management and a Feasibility Fund. In closing



Driving forward the Council's Modern Ambitious (Change) Programme.



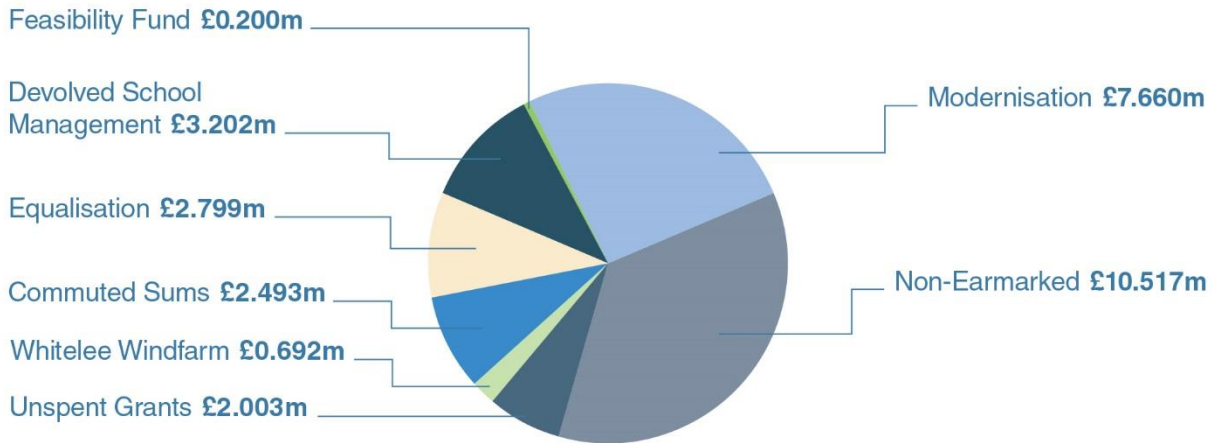
The opening balance has been increased by an overall surplus of £3.136m



Management Commentary (cont'd)

the accounts £2.003m has been attributed to the Unspent Grants reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

The pie chart below shows the total amounts held within these funds, further information can be found in note 12.



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 five 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

Budget Performance

The overall surplus of £3.136m can be analysed as follows:

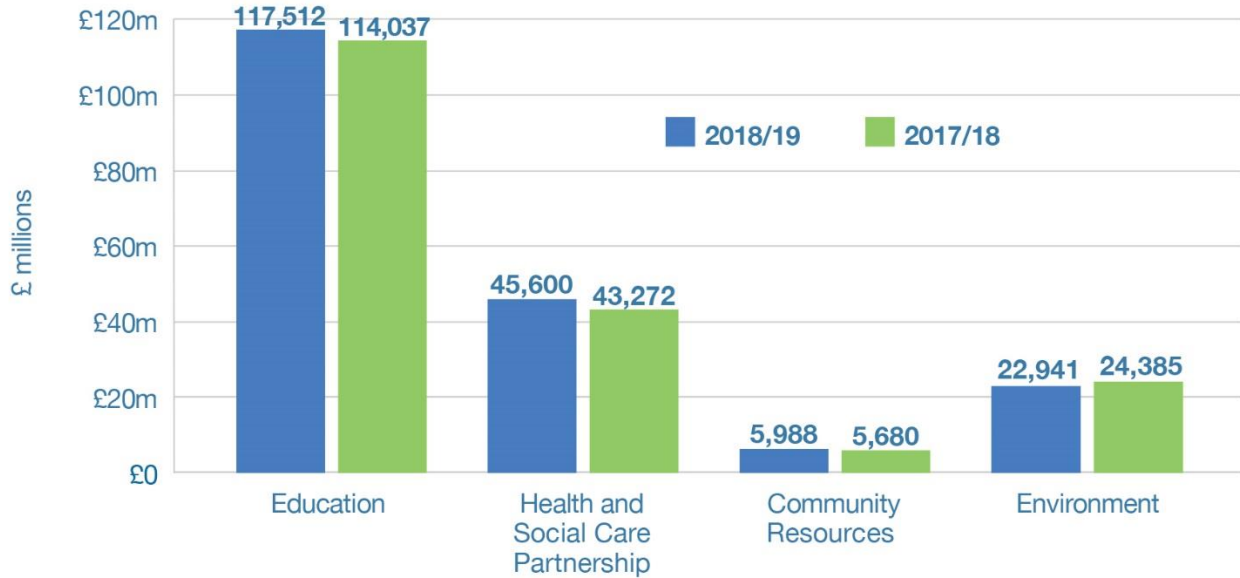
	£'000	Actual £'000	Approved Budget £'000	Over/(Under) Spend £'000
Net cost of services	234,077			
Capital charges	(20,935)	213,142	218,944	(5,802)
Investment Income		(181)	(209)	28
Capital financing costs		9,660	10,263	(603)
Other		457	-	457
Contributions to/(from) reserves		1,150	(674)	1,824
To be met by Govt. grants and local taxation		224,228	228,324	(4,096)
Aggregate External Finance		(177,250)	(177,931)	681
Council Tax		(50,114)	(50,393)	279
Total Funding		(227,364)	(228,324)	960
SURPLUS FOR THE YEAR		(3,136)	-	(3,136)



Management Commentary (cont'd)

The surplus above, when considered with the Housing Revenue Account surplus of £89k (see Movement in Reserves Statement) totals £3,225k, as stated in the Expenditure and Funding Analysis (note 3).

Net Expenditure across Directorates



Housing Revenue

The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balance are shown on pages 109 and 111. 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 £1,629k has been increased by an operational surplus of £89k to give a year-end balance of £1,718k.



Housing Revenue has a year-end balance of £1,718k

Capital Budget Performance

The Council invested £41.187m in its General Services and Housing Capital Programmes. This was financed through a combination of sources shown in the table below.



Management Commentary (cont'd)

Capital Expenditure and Funding



Major projects completed during this year include:-

- Eastwood Business Incubator and Innovation Centre
- Barrhead Foundry Refurbishment
- Road works (Eaglesham Road, Mearns Road)

Assets and Liabilities

The Balance Sheet, on page 45, summarises the Council’s assets and liabilities as at 31 March 2019 and explanatory notes are provided. Total net assets have reduced by £25.190 million to £408.444 million. Within this headline figure, there has been significant change in both asset values and liabilities. Property, plant and equipment has increased by £22.451 million; on the liabilities side the pension liability has increased by £45.620 million. The major changes in the Council’s Balance Sheet between March 2018 and March 2019 are explained in more detail in the following paragraphs.



Management Commentary (cont'd)

Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £22.451 million to £687.378 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of certain categories of assets was carried out during the year which was offset by in year depreciation charges. Cash equivalents have reduced by £4.083 million due to both revenue and capital cash flows. Long and short-term Debtors and Creditors increased by a net £5.400 million.

Short Term and Long Term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) decreased by £6.916m during the year. Short-term borrowing decreased by £10.027m and long-term borrowing and lease financing increased by £3.111m. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

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 gross external debt (including Finance leases) at the year end was £179.63 million which was made available to the Council from various sources, the most significant borrowing of which was from the Public Works Loans Board. This compares with the CFR of £188.78 million 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 to minimise the exposure to investment risk.

The financing charges impacting on the Council Tax were £9.660m (2017/18 £9.862m) and on rents were £4.099m (2017/18 £4.016m).

The Council's average loans rate was 3.91% for 2018/19, an increase of 0.05% from 2017/18.



The Council regulates its capital spending limits within a prudential framework.



Management Commentary (cont'd)

Provision, Contingencies and Write-offs

The Council has provided £0.303 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 25) and the reasons for the provisions made are outlined in the Note. The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement. There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £218.58k for Council Tax, £897.82k for Non Domestic Rates and £281.79k of other debts which were approved by Cabinet.



**The Council
has made
provisions of
£0.303m**



Management Commentary (cont'd)

Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2018/19 and the affordability of its ongoing commitments:-

Financial Indicator	Commentary	2018/19 Actual	2017/18 Actual	
Reserves				
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 Policy in 2018/19 is 4% of the following years budgeted net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the <i>Fund Balances</i> section above.	4.3%	4.3%	
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	3.8%	3.9%	
Council Tax				
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.	97.64%	97.76%	
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. East Renfrewshire Council increased Council Tax bills by 3% in 2018/19.	22.0%	21.4%	
Financial Management				
Actual Outturn as a percentage of Budgeted Expenditure	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.	98.2%	96.3%	
Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget.		1.6%	3.5%	
Debt/Long-term Borrowing		ESTIMATE 2018/19	ACTUAL 2018/19	ACTUAL 2017/18
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.	£215.9m	£188.78m	£193.24m
External Debt Levels for the current year		£214.6m	£179.63m	£176.54m



Management Commentary (cont'd)

Review

The Council's affairs have again been managed within its operational budget. All departments' outturn spend was within budget, with Directors taking early action in applying savings measures during 2018/19. The favourable outturn results from prudent management of staffing levels and non-filling of vacancies during the year, progression and early implementation of service reviews, staffing restructures and other efficiency measures as well as the maximisation of income receivable. As a result of effective financial management, transfers totalling £2.35m have been made to key earmarked reserves (Capital Reserve £0.550m, Modernisation Fund £1.0m, Equalisation Reserve Fund £0.2m, Repairs and Renewal Fund £0.4m and Feasibility Fund £0.2m). This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years. In particular, this will help alleviate pressure on the Council's Capital Programme and will facilitate one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year investment in Education continued with the construction phase of the new Maidenhill Primary School, due to be completed by summer 2019. Major works were also ongoing to meet the Scottish Government's requirement to increase the level of early years care provided to 1,140 hours by 2020. In addition, funding was provided to improve the digital infrastructure in our schools by investing in additional tablets and laptops.

The well-established mixed tenure scheme also benefited from additional funding to tackle some of the problems associated with communal repairs.

Through the City Deal, work continued on a major regeneration programme, across the Council, with a value of £44 million as part of our eight year capital investment plan.

In addition, the Council invested a further £1.5 million of capital resources in improving our roads and street lighting.



The Council transferred £2.35m to reserves in 2018/19.



A further £1.5m of capital resources was invested in improving our roads and street lighting.

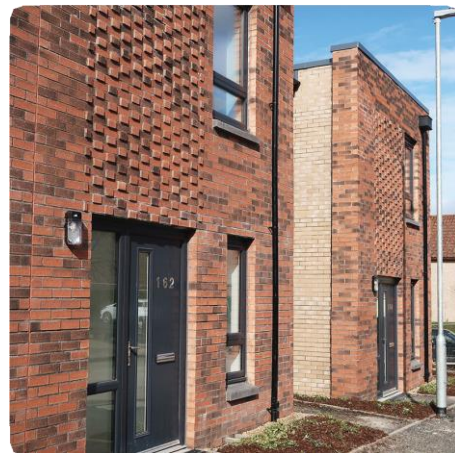


Management Commentary (cont'd)

4. Financial Outcomes and Key Risks

In common with all other organisations, the Council continues to be affected by the ongoing challenging conditions. The Council has continued to apply its economic downturn action plan to minimise the impact on the local community. The slowdown in capital receipts continued, however maintaining a prudent level of Capital Reserve has enabled the Council to continue significant investment. The Council's General Fund Capital Plan for the next 8 years delivers significant investment in schools, leisure facilities, roads investment and participation in the major City Deal regional infrastructure development etc. This has been enabled through the Council's prudent use of its resources. Similarly, the Housing Capital Plan for the next 5 years progresses significant investment to ensure that our housing stock continues to meet the Scottish Housing Quality Standard, that the new Energy Efficiency Standard for Social Housing is met and that stock of affordable housing is increased to meet rising demand.

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. However, limited increases in Council Tax are now permitted and it has been agreed to increase Council Tax by 3% per year in 2019/20 and 2020/21 to help mitigate these problems. The financial outlook remains unclear as a result of ongoing uncertainty on the UK's withdrawal from the European Union and of the move to Scotland's increasing fiscal autonomy which makes grant figures more difficult to predict. Forecasts are that funding restrictions are not one-off but will continue for a number of years ahead. To ensure delivery of balanced budgets, this requires the Council to identify and implement savings measures to meet the spending and demand pressures it faces, and to keep its financial position under close review.





Management Commentary (cont'd)

The Council has approached these difficulties as a part of a longer term financial strategy. This is set out in the Financial Planning paper approved by the Council and reviewed as part of the annual budget. This strategy is characterised through a number of 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; 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 reserve levels and factored some utilisation of reserves into its plans to address future financial difficulties.

The proposed national move to multi-year grant settlements from 2020/21 will help the Council in its medium term financial planning.

The Financial Planning 2019-2025 paper was approved by Council on 28 February 2019:-

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23878&p=0>

As a consequence of the Council's programme of efficiency reviews 44 employees took the option of voluntary redundancy or other packages offered to them in 2018/19. This resulted in an in year cost of £2.02m.

The Council has put arrangements in place in response to the Welfare Reform Act 2012 to try to mitigate adverse impacts on residents, Council income and the wider economy within East Renfrewshire from the effects of welfare reforms. A group of senior officers and Community Planning partners have undertaken a number of areas of work and have reported to both Corporate Management Team (CMT) and Cabinet on a regular basis regarding estimated financial and other impacts, and the Cabinet has agreed plans to manage the reforms.

The Annual Governance Statement 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.

The Council is committed to undertaking practical risk management to maximise the opportunities available and to minimise losses. The Council recognises that risk management is one of the principal elements of good governance and a key contributor to ensuring a sound internal control environment.



Spending decisions based on an assessment of medium to long-term needs.



44 employees took the option of voluntary redundancy.



Management Commentary (cont'd)



The Council works to identify, evaluate and monitor all risks within its control.

Through a systematic framework and process, the Council works to identify, evaluate, manage and monitor all risks within its control to protect its employees, assets, service delivery, reputation, and community and business partners. The overall aim is to raise awareness of risk throughout the council, to improve the services we provide to our community and operate more efficiently.

The Corporate Management Team, Elected Members and the Trade Unions have approved and fully support the Council's strategic risk register, Risk Management Strategy, policy and actions. This commitment secures sound management of risk within East Renfrewshire Council.

The Council's strategic risks have been identified, along with their corresponding risk controls and actions, and were reported to Committee for members' consideration in a report to Cabinet, 6 June 2019.

5. Supplementary Information

Private Finance Initiative/Public Private Partnership & Similar Contracts

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 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. Details of all 4 projects are provided in note 36 to the core financial statements.

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 2019, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £128.074m, details of which can be found in note 40 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2019. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2019 was 2.4%. This year has seen an increase in pension liabilities



Management Commentary (cont'd)

to £663.015m (2017/18 £586.007m) which is principally because the financial assumptions at 31 March 2019 are less favourable than they were at 31 March 2018.

This increase in liabilities, offset by an increase in asset values (£534.941m, 2017/18 £503.553m), has resulted in a net increase in the overall pension liability of £45.620m. Employer contributions are based on the longer-term funding valuation as at 31st March 2017. The accounting policies adopted in the accounts reflect the full implementation of IAS19.

The appointed actuaries 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.

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 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 £15.558m. Full 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

Integration Joint Board

The Scheme of Integration for the East Renfrewshire Integration Joint Board was approved by the Scottish Government on 27 June 2015 and on the 7 October 2015 the IJB took on financial and strategic responsibility for the planning and delivery of health and social care services for the residents of East Renfrewshire.

Further information is provided in Note 2 to the Group Accounts.



**The Group
Balance Sheet
increases the
Council's net
worth by
£15.558m.**



Management Commentary (cont'd)

Events During 2018/19

Core Systems

As part of its Modern Ambitious Programme (MAP) the Council is currently working to replace its core financial, payroll and human resources systems. A multi-disciplinary team has been established including stakeholders from all services to deliver this project over the coming year. Progress on all MAP projects is regularly reported to the Council's Corporate Management Team and will help the Council deliver its efficiency savings and transformation objectives.

Transactions between Services

As the service segments in the Comprehensive Income and Expenditure Statement (CIES) are not intended to cover the reporting requirements for International Financial Reporting Standard 8 all transactions between services have been removed, with the cost of the transaction remaining with the budget holder.

The comparative figures in the CIES have therefore been restated to fulfil this requirement.

Capital Investment Strategy

In December 2017, CIPFA issued revised Prudential and Treasury Management codes including the requirement for Councils to produce a Capital Strategy report to improve the overall understanding of the governance procedures and risk appetite entailed by the Treasury Strategy. In line with these regulations the Capital Investment Strategy report was presented to Council on 28 February 2019.

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.

Transfer of Budgets

During the year efforts were made to better align budgets to spending needs. Underspends identified were used to address both in year and future pressures, with £826k being carried forward to cover anticipated one off pressures in 2019/20.

Trade Union

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

**Management Commentary (cont'd)**

Relevant union Officials	
Number of employees who were relevant union officials from 1 April 2018 to 31 March 2019	Full-time equivalent employee number
4	2.2FTE

Percentage of time spent on facility time	
Percentage of time	Number of Employees
0%	-
1-50%	1
51%-99%	2
100%	1

Percentage of paybill spent on facility time	
Total Cost of Facility Time	£102,391
Total Wage Bill	£119,256,350
Percentage of Wage Bill spent on facility time	0.085%

Time spent on paid trade union activities as a percentage of total paid facility time hours	100%
---	------

Events after the Balance Sheet Date

Events from the Balance Sheet Date until the Date of Signing the Accounts have been taken into consideration. There are no significant post balance sheet events to report.



Management Commentary (cont'd)

6. Where to Find More information

In this Document

The 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 can be found at the end of this document and this provides an explanation of the main terms used.

On Our Website

Further information on the Accounts can be obtained on the Council's website (www.eastrenfrewshire.gov.uk) 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.

Acknowledgement

I wish to record my thanks to staff in all departments for their co-operation in producing the Annual Accounts in accordance with the prescribed timescale. In particular the efforts of my own Accountancy Services staff are gratefully acknowledged.

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

Councillor Tony Buchanan
Leader of the Council
DATE

Lorraine McMillan
Chief Executive
DATE



Statement of Responsibilities

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

The Authority’s Responsibilities:

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Authority has responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this Authority, 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 2019

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council

DATE

The Head of Accountancy (Chief Financial Officer) Responsibilities

The Head of Accountancy (Chief Financial Officer) is responsible for the preparation of the Authority’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 that were reasonable and prudent;
- complied with legislation;
- complied with the local authority 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 the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2019.

Margaret McCrossan CPFA Head of Accountancy
(Chief Financial Officer)
6 June 2019



Annual Governance Statement 2018/19

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, properly accounted for and 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

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.

Our new Code of Corporate Governance for 2019-2020 and an update on the 2018/19 action plan will be considered by the Audit and Scrutiny Committee on 20 June 2019. An update on progressing the improvement actions on last year's code, along with a copy of our updated Code of Corporate Governance, will be available on our website <http://www.eastrenfrewshire.gov.uk/corporategovernance> following Audit and Scrutiny Committee approval. The Code is available from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).

Compliance with the Code

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

During 2018/19 we have reviewed the system of internal control and put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.



Annual Governance Statement 2018/19 (cont'd)

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 five organisational capabilities.
- 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) Integrated Joint Board.
- 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 CMT 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
- Providing extensive training and development opportunities for all elected members and employees



Annual Governance Statement 2018/19 (cont'd)

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2019 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 also 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.

The results of reviewing the effectiveness of the governance framework are reported to the Audit and Scrutiny Committee and a plan to address any weaknesses and ensure continuous improvement of systems is in place.

The Chief Internal Auditor's annual Audit report for 2018/19 will be presented to the Audit and Scrutiny Committee in June 2019. As at 9th May 2019 the Chief Internal Auditor indicated that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2019 with the exception of issues raised by the Care Inspectorate on the Housing Support Service. Further confirmation of any other relevant audit issue will be identified and included in the Audited Annual Governance Statement.

Key actions achieved during 2018/19 included –

- Council Values were reviewed
- Update of the Information Security Policy and Anti Money Laundering Policy
- Anti-Fraud, Bribery and Theft Strategy (ongoing)
- Procurement of a new Finance, Procurement, Payroll & HR system
- New approach to service business planning introduced in 2018 and being rolled out over 2019.



Annual Governance Statement 2018/19 (cont'd)

- Community Plan and Fairer East Ren (Local Outcome Improvement Plan) approved in June 2018.
- Outcome Delivery Plan for 2018-21 approved in May 2018.
- Workforce Plan linked to strategic plans and long term Financial Plan approved in February 2019.
- Quality Conversation Framework was launched

Key actions planned for 2019/20 are listed in the Code of Corporate Governance

External Scrutiny

The report by the Local Area Network (LAN) of external scrutiny bodies is not yet available; this will be included here during the audit process of the annual accounts.

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 authority'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 authority's financial strategy; and
- Must lead the promotion and delivery by the whole authority 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.



Annual Governance Statement 2018/19 (cont'd)

Assurance

We consider that the governance and internal control environment operating during 2018/19 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 Tony Buchanan
Leader of the Council

DATE

L. McMillan
Chief Executive
On behalf of East Renfrewshire Council

DATE



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, with the exception of that relating to the Reimbursement of Members' Expenses contained within section 4, will be audited by the Council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland 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). 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 local authority councillors.

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 1 April 2018 the maximum annual salary for the Leader of East Renfrewshire Council was £28,326. 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 £172,073. 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.



Remuneration Report (cont'd)

In 2018/19 East Renfrewshire Council had 8 Senior Councillors, which is one less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £169,450. 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 agreed at a meeting of the full council on 28 March 2018 and is available at www.eastrenfrewshire.gov.uk.

2. Remuneration Policy for Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities and at a meeting of the full Council on 25 June 2014 the Directors' salaries were baselined, removing the percentage relationship between the Chief Executive's salary and the Chief Officers' salaries.

3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including 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. 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 are phased as indicated below:-

2017/18	Scottish Parliamentary Elections, Thursday 5 May 2016 Scottish Local Government Elections, Thursday 4 May 2017 UK Parliamentary General Election, Thursday 8 June 2017
2018/19	No elections took place

**Remuneration Report (cont'd)**

		Salary, Fees and Allowances	Election work	Compensation for loss of office	Taxable Expenses and Allowances	Total
		£	£	£	£	£
Lorraine McMillan (Chief Executive)	2018/19 2017/18	116,239 114,597	- 8,202	- -	- -	116,239 122,799
Mhairi Shaw (Director of Education)	2018/19 2017/18	106,156 104,534	- -	- -	- -	106,156 104,534
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	2018/19 2017/18	107,767* 106,961*	- -	- -	- -	107,767 106,961
Kate Rocks Chief Social Work Officer	2018/19 2017/18	86,460** 83,483**	- -	- -	- -	86,460 83,483
Andrew Cahill (Director of Environment)	2018/19 2017/18	106,175 104,535	- -	- -	- -	106,175 104,535
Margaret McCrossan Head of Accountancy (Chief Financial Officer)	2018/19 2017/18	94,694 91,433	- 225	- -	- -	94,694 91,658
Caroline Innes (Deputy Chief Executive)	2018/19 2017/18	106,175 104,535	- 175	- -	- -	106,175 104,710
Gerry Mahon (Chief Officer – Legal and Procurement)	2018/19 2017/18	74,971 72,381	- 275	- -	- -	74,971 72,656
Michelle Blair (Chief Auditor)	2018/19 2017/18	53,658 51,803	- 275	- -	- -	53,658 52,078
Anthony McReavy (Chief Executive Culture & Leisure Trust)	2018/19 2017/18	82,341 73,813	- -	- -	- -	82,341 73,813

* This salary is funded by East Renfrewshire Integration Joint Board

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



Remuneration Report (cont'd)

4. Remuneration of Senior Councillors

Name (A)	Position Held (B)	Notes	Salary - Payments made by Council			Re-imbusement of Members Expenses							Total Salary Expenses 2018/19 (E + M) (N) £	Total Salary Expenses 2017/18 (O) £	
			Gross Allowance (C) £	Less Recharge to External Bodies (D) £	Net Allowances Paid (E) £	Car & Van Expenses - Reimbursed (F) £	Other Travel Expenses - Reimbursed (G) £	Other Travel Expenses Paid Directly (H) £	Subsistence & Meals Expenses Reimbursed (I) £	Training & Conference Expenses Reimbursed (J) £	Training & Conference Expenses Paid Directly (K) £	Telephone & ICT Expenses Paid Directly (L) £			Total Expenses (F to L) (M) £
Buchanan	Leader of the Council		28,213	0	28,213	197	228	0	0	75	544	196	1,240	29,453	28,279
Convery	Chair of Licensing Committee		21,160	0	21,160	0	0	0	0	0	0	49	49	21,209	19,089
Cunningham	Deputy Provost		21,245	0	21,245	0	0	0	0	0	0	177	177	21,422	20,905
Devlin	Convener for Housing & Maintenance Services		21,245	0	21,245	0	0	0	0	0	0	266	266	21,511	21,138
Fletcher	Provost		21,160	0	21,160	0	29	2,807	0	0	0	228	3,064	24,224	24,415
Ireland	Chair of Planning Applications/Local Review Body		21,160	0	21,160	0	0	0	0	0	0	55	55	21,215	19,222
Lafferty	Convener for Environment		21,160	0	21,160	0	0	0	0	0	0	231	231	21,391	21,815
Merrick	Convener for Community Services and Community Safety		21,160	0	21,160	0	0	0	0	0	0	29	29	21,189	19,119
Miller	Chair of Audit Committee		21,160	0	21,160	0	0	0	0	0	0	86	86	21,246	20,893
O'Kane	Convener for Education and Equalities	1	21,160	0	21,160	0	0	0	0	0	544	61	605	21,765	21,396
Sub total	Senior Councillors		218,823	0	218,823	197	257	2,807	0	75	1,088	1,378	5,802	224,625	216,271
	All other Councillors		135,684	0	135,684	420	185	0	20	89	544	1,966	3,224	138,908	132,925
	Total		354,507	0	354,507	617	442	2,807	20	164	1,632	3,344	9,026	363,533	349,196

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

1. Cllr O'Kane receives payment directly from Association for Public Service Excellence (APSE) in his position as the Chair of the Transport and Mechanical Services Group. For further details refer to www.apse.org.uk
2. East Renfrewshire Council leases a car for civic duties. The total cost of the car is £2,850. A proportion of these costs relate to Lord Lieutenant's use.



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 2018/19 and 2017/18 are as follows:-

Actual Pensionable pay	Contribution rate 2018/19	Actual Pensionable Pay	Contribution rate 2017/18
On pensionable pay up to and including £27,697	7.2%	On pensionable pay up to and including £26,259	7.2%
On pensionable pay £27,698 to £37,284	8.7%	On pensionable pay £26,260 to £35,349	8.7%
On pensionable pay £37,285 to £44,209	9.7%	On pensionable pay £35,350 to £41,914	9.7%
On pensionable pay £44,210 to £58,590	10.4%	On pensionable pay £41,915 to £55,549	10.4%
On pensionable pay £58,591 to £79,895	11.5%	On pensionable pay £55,550 to £75,749	11.5%
On pensionable pay above £79,896	11.9%	On pensionable pay above £75,750	11.9%

**Remuneration Report (cont'd)**

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.

The pension entitlements of Senior Employees for the year to 31 March 2019 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.

Name and Post Title	In Year Pension contribution		2018/19 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2018	
	2018/19	2017/18	Pension	Lump Sum	Pension	Lump Sum
	£	£	£	£	£	£
Lorraine McMillan (Chief Executive)	22,434	22,117	23,609	4,678	2,767	63
Mhairi Shaw (Director of Education)	20,488	20,175	58,185	115,758	3,156	1,741
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	20,799	20,644	38,772	56,800	2,862	854
Kate Rocks (Chief Social Work Officer)	16,687	16,112	28,283	37,425	2,635	1,266
Andrew Cahill (Director of Environment)	20,492	20,175	53,620	102,224	3,034	1,537
Margaret McCrossan (Head of Accountancy / Chief Financial Officer)	18,276	17,647	50,254	98,822	3,538	3,342
Caroline Innes (Deputy Chief Executive)	20,492	20,175	50,796	93,752	2,992	1,409
Gerry Mahon (Chief Officer – Legal and Procurement)	14,469	13,969	28,013	42,886	2,406	1,456
Michelle Blair (Chief Auditor)	10,356	9,998	20,115	30,915	1,724	1,050
Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust)	15,892	14,246	5,845	-	1,685	-

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

The pension entitlements for Senior Councillors for the year to 31 March 2019 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		2018/19 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2018	
	2018/19 £	2017/18 £	Pension £	Lump Sum £	Pension £	Lump Sum £
Cllr Buchanan – Leader of the Council	5,445	5,157	4,679	1,481	719	78
Cllr Convery – Chair of Licensing Committee	4,084	3,658	830	-	432	-
Cllr Cunningham – Deputy Provost	-	-	-	-	-	-
Cllr Devlin – Convener for Housing & Maintenance	-	-	-	-	-	-
Cllr Fletcher – Provost	4,084	4,436	6,293	2,365	522	(22)
Cllr Ireland – Chair of Planning Applications / Local Review Body	4,084	3,658	830	-	432	-
Cllr Lafferty – Convener for Environment	4,084	4,012	4,474	1,594	501	40
Cllr Merrick – Convener for Community Services and Community Safety	4,084	3,658	830	-	432	-
Cllr Miller – Chair of Audit Committee	4,084	3,956	3,989	1,395	506	43
Cllr O'Kane – Convener for Education & Equalities	4,084	4,028	2,463	-	442	-

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



Remuneration Report (cont'd)

6. Remuneration of Employees

The Authority'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	2018/19				2017/18				
	Teachers	Number of employees Left during year		Employees	Total	Teachers	Number of employees Left during year		Employees
£50,000 - £54,999	46	2	24	72	36	2	14	52	
£55,000 - £59,999	35	4	7	46	31	1	6	38	
£60,000 - £64,999	4	-	3	7	5	1	2	8	
£65,000 - £69,999	4	2	4	10	4	-	4	8	
£70,000 - £74,999	1	3	2	6	1	-	2	3	
£75,000 - £79,999	1	2	1	4	1	-	10	11	
£80,000 - £84,999	1	1	9	11	1	2	1	4	
£85,000 - £89,999	2	-	1	3	2	-	-	2	
£90,000 - £94,999	-	-	1	1	-	1	1	2	
£95,000 - £99,999	-	-	-	-	-	2	-	2	
£100,000 - £104,999	-	-	-	-	-	-	3	3	
£105,000 - £109,999	-	-	4	4	-	-	1	1	
£110,000 - £114,999	-	-	-	-	-	-	1	1	
£115,000 - £119,999	-	-	1	1	-	-	-	-	



Remuneration Report (cont'd)

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	
	2018/19	2017/18	£ 2018/19	£ 2017/18	£ 2018/19	£ 2017/18	2018/19	2017/18
£0-£20,000	15	7	119,352	91,165	43,512	-	162,864	91,165
£20,001-£40,000	7	5	179,553	118,140	12,376	26,101	191,929	144,241
£40,001-£60,000	10	3	445,138	148,307	65,595	-	510,733	148,307
£60,001-£80,000	3	3	121,545	196,186	74,581	-	196,126	196,186
£80,001-£100,000	4	-	355,308	-	-	-	355,308	-
£100,001- £150,000	5	4	603,445	568,685	-	-	603,445	568,685
>£150,001	0	1	-	249,667	-	25,931	-	275,598
Total Cost included in CIES	44	23	1,824,341	1,372,150	196,064	52,032	2,020,405	1,424,182

Councillor Tony Buchanan
Leader of the Council

DATE

Lorraine McMillan
Chief Executive

DATE



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 2018 (Restated)				Year Ended 31 March 2019		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
145,411	(20,919)	124,492	Education	139,183	(11,335)	127,848
62,930	(18,882)	44,048	HSCP – Provision of Services	65,417	(17,394)	48,023
36,447	(7,816)	28,631	Environment	40,736	(8,512)	32,224
21,989	(15,766)	6,223	Corporate & Community – Community Resources	22,266	(15,839)	6,427
346	(185)	161	Chief Executive's Office	373	(115)	258
5,825	(4,865)	960	Other Expenditure	7,329	(4,165)	3,164
3,267	(259)	3,008	Support Services – Chief Executive's Office	3,489	(235)	3,254
12,047	(1,939)	10,108	Support Services – Corp & Comm	11,443	(705)	10,738
944	(1,962)	(1,018)	Support Services – Environment	2,597	(456)	2,141
289,206	(72,593)	216,613	Cost of general fund services	292,833	(58,756)	234,077
13,335	(11,567)	1,768	HRA	16,278	(11,858)	4,420
302,541	(84,160)	218,381	Cost of Services	309,111	(70,614)	238,497
		(561)	Other operating expenditure (Note 13)			(1,818)
		14,463	Financing and investment income and expenditure (Note 14)			12,243
		<u>(233,894)</u>	Taxation and non-specific grant income (Note 15)			<u>(245,766)</u>
		(1,611)	(Surplus) or Deficit on Provision of Services			3,156
		(48,028)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 26)			(11,686)
		2,089	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 26)			125
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		<u>(103,800)</u>	Actuarial (gains)/losses on pension assets/liabilities (Note 26)			<u>33,595</u>
		(149,739)	Other Comprehensive Income and Expenditure			22,034
		(151,350)	Total Comprehensive (Income) and Expenditure			25,190



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 authority, 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 authority'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	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018 carried forward	(10,133)	(16,297)	(1,629)	(8,410)	(1,934)	(11,454)	(49,857)	(383,777)	(433,634)
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	770	-	2,386	-	-	-	3,156	22,034	25,190
Adjustments between accounting basis & funding basis under regulations (Note 11)	(2,940)	-	(2,475)	-	-	8,466	3,051	(3,051)	-
(Increase)/Decrease in 2018/19	(2,170)	-	(89)	-	-	8,466	6,207	18,983	25,190
Net transfer to or from reserves	1,786	(2,752)	-	1,829	(16)	(847)	-	-	-
Balance at 31 March 2019 carried forward	(10,517)	(19,049)	(1,718)	(6,581)	(1,950)	(3,835)	(43,650)	(364,794)	(408,444)
Balance at 31 March 2017 carried forward	(9,754)	(11,604)	(1,244)	(9,514)	(1,925)	(19,568)	(53,609)	(228,675)	(282,284)
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	(1,611)	(149,739)	(151,350)
Adjustments between accounting basis & funding basis under regulations (Note 11)	(2,837)	-	(3,300)	-	-	11,500	5,363	(5,363)	-
(Increase)/Decrease in 2017/18	(7,363)	-	(385)	-	-	11,500	3,752	(155,102)	(151,350)
Net transfer to or from reserves	6,984	(4,693)	-	1,104	(9)	(3,386)	-	-	-
Balance at 31 March 2018 carried forward	(10,133)	(16,297)	(1,629)	(8,410)	(1,934)	(11,454)	(49,857)	(383,777)	(433,634)



Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority 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 authority 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 2017 (restated) £000	31 March 2018 (restated) £000		Notes	31 March 2019 £000
587,805	664,927	Property, Plant & Equipment	16	687,378
234	234	Heritage Assets	17	234
143	236	Intangible Assets	18	248
246	241	Investments	20	234
588,428	665,638	Long Term Assets		688,094
768	1,037	Assets Held for Sale	19	1,034
359	344	Short Term Intangible Assets		447
349	445	Inventories		456
13,292	13,768	Short Term Debtors	21	15,791
5,000	24,000	Short Term Investments		33,997
35,530	34,223	Cash and Cash Equivalents	23	30,140
55,298	73,817	Current Assets		81,865
(1,764)	(2,617)	Short Term Borrowing		(2,163)
(3,126)	(4,308)	Finance Leases including PFI/PPP	20	(4,732)
(42,795)	(40,991)	Short Term Creditors	24	(48,516)
(155)	(130)	Provisions – short term	25	(152)
(47,840)	(48,046)	Current Liabilities		(55,563)
(152)	(159)	Provisions – long term	25	(151)
(62,568)	(79,951)	Long Term Borrowing	20	(87,788)
(341)	(92)	Long Term Creditors	20,24	(93)
(72,825)	(90,481)	PFI/PPP Finance Lease	20	(85,748)
(173,922)	(82,454)	Defined Benefit Pension Liability	40	(128,074)
(3,794)	(4,638)	Capital Grant Receipts in Advance	32	(4,098)
(313,602)	(257,775)	Long Term Liabilities		(305,952)
282,284	433,634	Net Assets		408,444
(53,609)	(49,857)	Usable Reserves	12	(43,650)
(228,675)	(383,777)	Unusable Reserves	26	(364,794)
(282,284)	(433,634)	Total Reserves		(408,444)

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2019



Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority'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 authority.

2017/18	2018/19
£000	£000
(1,611) Net (surplus) or deficit on the provision of services	3,156
(19,381) Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)	(29,717)
- Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(20,992) Net cash flows from Operating Activities	(26,561)
40,377 Investing Activities (Note 28)	23,729
(18,078) Financing Activities (Note 29)	6,915
1,307 Net (increase) or decrease in cash and cash equivalents	4,083
(35,530) Cash and cash equivalents at the beginning of the reporting period	(34,223)
(34,223) Cash and cash equivalents at the end of the reporting period (Note 23)	(30,140)



Notes to the Accounts

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority 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 2018/19 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 certain categories of non-current assets and financial instruments. The accounts have been prepared on the basis that the Council is a going concern.

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.



Notes to the Accounts (cont'd)

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 Authority'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 Authority 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.

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, paid annual leave and flexi leave, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) 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 Authority 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 Authority 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.



Notes to the Accounts (cont'd)

Post- Employment Benefits

Employees of the Authority 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 Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. 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 Authority 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 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority 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 pensions liability is analysed into the following components:

- Service cost comprising:

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



Notes to the Accounts (cont'd)

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 authority. 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 Authority 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. The negative balance that arises 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.

Discretionary Benefits

The Authority 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



Notes to the Accounts (cont'd)

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 which it is the sole trustee for.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority 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 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 Authority 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 authority'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 authority 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.



Notes to the Accounts (cont'd)

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 authority, 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 the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Where material, the authority recognises expected credit losses on all of 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 authority.

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.

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

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 Authority when there is reasonable assurance that:

- the Authority 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



Notes to the Accounts (cont'd)

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 Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants 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.

The Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme is currently in its third year of its second phase, which ended on 31 March 2019. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured as the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

Heritage Assets

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



Notes to the Accounts (cont'd)

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 market value, as at May 2017, provided by the international auctioneers and valuers Bonhams.

Civic Regalia

The chains of office used by the Provost and his partner are collectively known as Civic Regalia and are symbols of the authority 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 May 2017.

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 March 2017, provided by Registration Transfers, the largest dealer in 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 Authority 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 Authority.

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 Authority 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 Authority'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 Authority 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



Notes to the Accounts (cont'd)

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 Authority 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 Authority'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 and Long Term Contracts

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 FIFO or weighted average costing formulas.

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 Authority 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:



Notes to the Accounts (cont'd)

- 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 Authority 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 Authority). 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 Authority.

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)
- 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 on a five year rolling basis, in accordance with the guidelines provided within the Royal Institute of Chartered Surveyors Valuation Standards Manual. In addition, any material changes in the value of individual assets that arise between periodic valuations are immediately reflected in the Balance Sheet.

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.



Notes to the Accounts (cont'd)

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.

Private Finance Initiative (PFI) and Similar Contracts

East Renfrewshire Council operates 4 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 Authority 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 Authority at the end of the contracts for no additional charge, the Authority 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 Authority.

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



Notes to the Accounts (cont'd)

- finance cost - an average interest charge of 7.19% 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 Authority 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 Authority 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 authority 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.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority 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 authority. 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



Notes to the Accounts (cont'd)

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 Authority.

VAT

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

**Notes to the Accounts (cont'd)****2. PRIOR YEAR ADJUSTMENT**

The Council has discovered an error with the calculation of the Social Rent Discount (SRD) factor, used in valuing the Housing stock. In order to calculate the SRD factor a comparison is made between the Council's average weekly rent and the average Scottish Government's Local Housing Allowance (LHA) rate.

The Council's weekly rental is charged on a 48 week basis and this had been compared with the LHA rate which is based on 52 weeks. It is now felt that this is not a fair comparison and the Council's 48 week rental, for the purposes of the calculation, has been recalculated on a 52 week basis, resulting in an increase to the SRD factor and an overall decrease in the value of the Housing stock.

The impact of this error in no way affects the actual amounts charged to residents however additional controls to ensure that such events do not occur in the future have been introduced. In order to correct this error, the Council has restated prior year balances for the period 2011/12 to 2017/18 and an additional complete Balance Sheet has been provided to reflect the beginning of the preceding period.

The following are the relevant extracted lines from the Balance Sheet showing the originally stated information and the amendments made.

	As Originally Stated 2017/18 £'000	As Restated 2017/18 £'000	Restatements 2017/18 £'000
Property , Plant & Equipment	678,351	664,927	(13,424)
Unusable Reserves	(397,201)	(383,777)	13,424

	As Originally Stated 2016/17 £'000	As Restated 2016/17 £'000	Restatements 2016/17 £'000
Property , Plant & Equipment	596,587	587,805	(8,782)
Unusable Reserves	(237,457)	(228,675)	8,782

	As Originally Stated 2015/16 £'000	As Restated 2015/16 £'000	Restatements 2015/16 £'000
Property , Plant & Equipment	555,735	543,999	(11,736)

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

Unusable Reserves	(260,128)	(248,392)	11,736
-------------------	-----------	-----------	--------

	As Originally Stated 2014/15 £'000	As Restated 2014/15 £'000	Restatements 2014/15 £'000
Property , Plant & Equipment	526,469	517,020	(9,449)
Unusable Reserves	(177,729)	(168,280)	9,449

	As Originally Stated 2013/14 £'000	As Restated 2013/14 £'000	Restatements 2013/14 £'000
Property , Plant & Equipment	485,468	476,978	(8,490)
Unusable Reserves	(174,446)	(165,956)	8,490

	As Originally Stated 2012/13 £'000	As Restated 2012/13 £'000	Restatements 2012/13 £'000
Property , Plant & Equipment	504,583	485,965	(18,618)
Unusable Reserves	(206,445)	(187,827)	18,618

	As Originally Stated 2011/12 £'000	As Restated 2011/12 £'000	Restatements 2011/12 £'000
Property , Plant & Equipment	470,731	479,374	8,643
Unusable Reserves	(192,093)	(200,736)	(8,643)



Notes to the Accounts (cont'd)

3. 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 authority (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.

2017/18				2018/19		
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding & Accounting Basis (See Note 4)	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding & Accounting Basis (See Note 4)	Net Expenditure in the Comprehensive Income & Expenditure Statement
114,037	10,455	124,492	Education	117,512	10,336	127,848
43,272	776	44,048	HSCP - Provision of Services	45,600	2,423	48,023
24,385	4,246	28,631	Environment	22,941	9,283	32,224
5,680	543	6,223	Corporate & Community – Community Resources	5,988	439	6,427
(82)	243	161	Chief Executive's Office	(57)	315	258
10,934	(9,974)	960	Other Expenditure	10,427	(7,263)	3,164
2,694	314	3,008	Support Services – Chief Executive's Office	2,869	385	3,254
7,846	2,262	10,108	Support Services – Corp & Comm	8,230	2,508	10,738
1,508	(2,526)	(1,018)	Support Services – Environment	1,913	228	2,141
210,274	6,339	216,613	Net Cost of General Fund Services	215,423	18,654	234,077
(209)	1,977	1,768	HRA	98	4,322	4,420
210,065	8,316	218,381	Cost of Services	215,521	22,976	238,497
(785)	224	(561)	Other operating expenditure	(831)	(987)	(1,818)
9,380	5,083	14,463	Financing and investment income and expenditure	9,449	2,794	12,243
(224,117)	(9,777)	(233,894)	Taxation and non-specific grant income	(227,364)	(18,402)	(245,766)
(5,457)	3,846	(1,611)	(Surplus) / Deficit on Provision of Services	(3,225)	6,381	3,156
(22,602)			Opening General Fund and HRA Balance	(28,059)		
(5,457)			(Surplus) / Deficit on General Fund and HRA Balance in Year	(3,225)		
(28,059)			Closing General Fund and HRA Balance*	(31,284)		

*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)****4. 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.

2018/19	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
Education	10,367	2,940	(2,971)	10,336
HSCP – Provision of Services	235	2,194	(6)	2,423
Environment	8,324	1,789	(830)	9,283
Corporate & Community – Community Resources	12	573	(146)	439
Chief Executive's Office	-	-	315	315
Other Expenditure	-	400	(7,663)	(7,263)
Support Services – Chief Executive's Office	-	413	(28)	385
Support Services – Corp & Comm	1,771	910	(173)	2,508
Support Services – Environment	226	-	2	228
Net Cost of General Fund Services	20,935	9,219	(11,500)	18,654
HRA	8,232	450	(4,360)	4,322
Cost of Services	29,167	9,669	(15,860)	22,976
Other Operating Expenditure	(987)	-	-	(987)
Financing & Investment Income & Expenditure	-	2,356	438	2,794
Taxation & Non-Specific Grant Income	(18,402)	-	-	(18,402)
(Surplus)/Deficit on Provision of Services	9,778	12,025	(15,422)	6,381

2017/18	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
Education	12,116	2,300	(3,961)	10,455
HSCP – Provision of Services	(1,106)	1,883	(1)	776
Environment	3,663	1,494	(911)	4,246
Corporate & Community – Community Resources	-	478	65	543
Chief Executive's Office	-	-	243	243
Other Expenditure	-	149	(10,123)	(9,974)
Support Services – Chief Executive's Office	-	329	(15)	314
Support Services – Corp & Comm	1,540	702	20	2,262
Support Services – Environment	(2,529)	-	3	(2,526)
Net Cost of General Fund Services	13,684	7,335	(14,680)	6,339
HRA	6,096	375	(4,494)	1,977
Cost of Services	19,780	7,710	(19,174)	8,316
Other Operating Expenditure	224	-	-	224
Financing & Investment Income & Expenditure	-	4,622	461	5,083
Taxation & Non-Specific Grant Income	(9,777)	-	-	(9,777)
(Surplus)/Deficit on Provision of Services	10,227	12,332	(18,713)	3,846



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 authority 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:-

- 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.

5. 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 2019/20 code:-

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014-2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

Overall, these amended standards are not expected to impact the Council's Annual Accounts.

**Notes to the Accounts (cont'd)****6. EXPENDITURE AND INCOME ANALYSED BY SERVICE**

The authority's expenditure and income is analysed as follows:

2018/19

Expenditure/Income	Education	HSCP	Environment	Corporate & Community – Community Resources	Chief Executive's Office	Other Expenditure	Support Services	Housing Revenue Account	Costs not included in a service	Total
Expenditure										
Employee expenses	94,812	22,398	15,479	5,480	128	400	13,620	3,953	2,356	158,626
Other services expenses	34,004	42,784	16,933	16,774	245	6,929	1,912	4,093	-	123,674
Depreciation, amortisation, impairment	10,367	235	8,324	12	-	-	1,997	8,232	-	29,167
Interest payments	-	-	-	-	-	-	-	-	10,925	10,925
Gain on the disposal of assets	-	-	-	-	-	-	-	-	(987)	(987)
Total expenditure	139,183	65,417	40,736	22,266	373	7,329	17,529	16,278	12,294	321,405
Income										
Fees, charges and other service income	(6,790)	(16,484)	(6,855)	(749)	(115)	(3,763)	(1,396)	(11,858)	(831)	(48,841)
Interest and investment income	-	-	-	-	-	-	-	-	(1,038)	(1,038)
Income from council tax	-	-	-	-	-	-	-	-	(50,114)	(50,114)
Government grants and contributions (Note 32)	(4,545)	(910)	(1,657)	(15,090)	-	(402)	-	-	(195,652)	(218,256)
Total income	(11,335)	(17,394)	(8,512)	(15,839)	(115)	(4,165)	(1,396)	(11,858)	(247,635)	(318,249)
(Surplus)/Deficit on the Provision of Services	127,848	48,023	32,224	6,427	258	3,164	16,133	4,420	(235,341)	3,156

2017/18

Expenditure/Income	Education	HSCP	Environment	Corporate & Community – Community Resources	Chief Executive's Office	Other Expenditure	Support Services	Housing Revenue Account	Costs not included in a service	Total
Expenditure										
Employee expenses	88,027	22,151	15,593	5,328	104	149	12,234	3,924	4,622	152,132
Other services expenses	45,268	41,885	17,191	16,661	242	5,676	5,013	3,315	-	135,251
Depreciation, amortisation, impairment	12,116	(1,106)	3,663	-	-	-	(989)	6,096	-	19,780
Interest payments	-	-	-	-	-	-	-	-	10,457	10,457
Gain on the disposal of assets	-	-	-	-	-	-	-	-	224	224
Total expenditure	145,411	62,930	36,447	21,989	346	5,825	16,258	13,335	15,303	317,844
Income										
Fees, charges and other service income	(17,105)	(17,873)	(6,200)	(512)	(185)	(4,865)	(4,160)	(11,567)	(785)	(63,252)
Interest and investment income	-	-	-	-	-	-	-	-	(616)	(616)
Income from council tax	-	-	-	-	-	-	-	-	(48,072)	(48,072)
Government grants and contributions (Note 32)	(3,814)	(1,009)	(1,616)	(15,254)	-	-	-	-	(185,822)	(207,515)
Total income	(20,919)	(18,882)	(7,816)	(15,766)	(185)	(4,865)	(4,160)	(11,567)	(235,295)	(319,455)
(Surplus)/Deficit on the Provision of Services	124,492	44,048	28,631	6,223	161	960	12,098	1,768	(219,992)	(1,611)

**Notes to the Accounts (cont'd)****7. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Authority 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:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has entered into 4 Private Financial Initiatives/Public Private Partnership and similar contracts for the provision of educational buildings and the construction of a new road. The Council has considered the tests under IFRIC 12 and concluded that these are service concession arrangements.

8. 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 Authority 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 Authority's Balance Sheet at 31 March 2019 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
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £65.5m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £11.8m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £52.3m
Arrears	At 31 March 2019, the Authority had a balance of sundry debtors of £2.58m. A review of significant balances suggested that an impairment of doubtful debts of 41.72% / £1.08m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.08m to be set aside as an allowance.

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

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

9. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – MATERIAL ITEMS OF INCOME AND EXPENSE

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

Disposal of property, plant and equipment	£000
Net Book Value of Assets	1,120
Sale Proceeds	<u>(2,107)</u>
(Profit)/loss on disposal	(987)

10. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 6 June 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

11. 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 Authority, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Movements can be traced through Note 26.

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

2018/19	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(20,839)	(8,232)	-	-	-	29,071
Amortisation of intangible assets (Note 18)	(96)	-	-	-	-	96
Capital grants and contributions applied (Note 34)	15,383	3,019	-	-	-	(18,402)
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 9)	990	(3)	-	-	-	(987)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	11,021	3,009	-	-	-	(14,030)
Capital expenditure charged against the General Fund and HRA balances	2,339	300	-	-	-	(2,639)
Voluntary provision for repayment of debt (Note 26)	108	-	-	-	-	(108)
Adjustments primarily involving the Capital Reserve:						
Use of the Capital Reserve to finance new capital expenditure (Note 34)	-	-	8,466	-	-	(8,466)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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)	9	-	-	-	-	(9)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	(11,460)	(565)	-	-	-	12,025
Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:						
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)	(395)	(3)	-	-	-	398
Total Adjustments (see MIRS)	(2,940)	(2,475)	8,466	-	-	(3,051)

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

2017/18	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(13,605)	(6,096)	-	-	-	19,701
Amortisation of intangible assets (Note 18)	(79)	-	-	-	-	79
Capital grants and contributions applied (Note 34)	9,406	371	-	-	-	(9,777)
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 9)	156	(380)	-	-	-	224
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	10,192	2,913	-	-	-	(13,105)
Capital expenditure charged against the General Fund and HRA balances	2,611	500	-	-	-	(3,111)
Voluntary provision for repayment of debt (Note 26)	225	-	-	-	-	(225)
Adjustments primarily involving the Capital Reserve:						
Use of the Capital Reserve to finance new capital expenditure (Note 34)	-	-	11,500	-	-	(11,500)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
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)	9	-	-	-	-	(9)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	(11,728)	(604)	-	-	-	12,332
Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:						
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)	(24)	(4)	-	-	-	28
Total Adjustments (see MIRS)	(2,837)	(3,300)	11,500	-	-	(5,363)

**Notes to the Accounts (cont'd)****12. 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 2018/19.

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Non-earmarked Reserve	(9,754)	6,984	(7,363)	(10,133)	1,786	(2,170)	(10,517)
Equalisation Reserve	(2,332)	-	(226)	(2,558)	-	(241)	(2,799)
Modernisation Fund	(6,690)	426	(1,028)	(7,292)	694	(1,062)	(7,660)
Unspent Grants	(323)	323	(1,102)	(1,102)	1,102	(2,003)	(2,003)
Whitelee Wind Farm	(723)	244	(301)	(780)	374	(286)	(692)
Commuted Sums	(1,536)	56	(814)	(2,294)	248	(447)	(2,493)
Devolved School Management	-	-	(2,271)	(2,271)	569	(1,500)	(3,202)
Feasibility Fund	-	-	-	-	-	(200)	(200)
General Fund Total	(21,358)	8,033	(13,105)	(26,430)	4,773	(7,909)	(29,566)
HRA	(1,244)	500	(885)	(1,629)	300	(389)	(1,718)
Capital Reserve	(19,568)	11,500	(3,386)	(11,454)	8,466	(847)	(3,835)
Repairs and Renewal Fund	(9,514)	1,261	(157)	(8,410)	3,035	(1,206)	(6,581)
Insurance Fund	(1,925)	-	(9)	(1,934)	-	(16)	(1,950)
Total	(53,609)	21,294	(17,542)	(49,857)	16,574	(10,367)	(43,650)

13. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

	2018/19 £000	2017/18 £000
(Gain)/Loss on disposal of Fixed Asset (See Note 9)	(987)	224
Rental Income – operating lease over property, plant and equipment	(831)	(785)
	(1,818)	(561)

**Notes to the Accounts (cont'd)****14. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

	2018/19 £000	2017/18 £000
Interest payable and similar charges	10,922	10,457
Pension interest costs and expected return on pension assets	2,356	4,622
Interest receivable and similar income	(1,038)	(616)
Expected credit loss	3	-
Total	12,243	14,463

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

	2018/19 £000	2017/18 £000
Council Tax income	(50,114)	(48,072)
Non domestic rates	(14,318)	(14,552)
Non ring-fenced government grants	(162,932)	(161,493)
Capital grants and contributions	(18,402)	(9,777)
Total	(245,766)	(233,894)

**Notes to the Accounts (cont'd)****16. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2018/19**

	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
Cost or Valuation									
At 1 April 2018	167,467	323,202	36,555	37,578	2,989	3,532	3,555	145,967	720,845
Additions	4,181	7,857	4,909	2,542	333	9	19,929	1,284	41,044
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,705	3,853	-	-	-	-	-	-	11,558
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,603)	(5,022)	-	-	-	-	-	-	(6,625)
Derecognition – disposals	-	-	(720)	-	-	-	-	-	(720)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(1,034)	-	-	(1,034)
Assets transferred to/from assets under construction	2,550	5,124	-	-	-	-	(7,674)	-	-
Assets transferred to/from Surplus Assets	-	-	-	-	-	-	-	-	-
Depreciation written back on revaluation	(5,441)	(1,641)	-	-	-	-	-	-	(7,082)
At 31 March 2019	174,859	333,373	40,744	40,120	3,322	2,507	15,810	147,251	757,986
Accumulated Depreciation and Impairment									
At 1 April 2018	(9,063)	(1,165)	(27,634)	(9,963)	-	(26)	-	(8,067)	(55,918)
Depreciation charge	(6,443)	(6,587)	(4,429)	(1,256)	-	(26)	-	(3,705)	(22,446)
Depreciation written out on revaluation and disposal	5,442	1,641	673	-	-	-	-	-	7,756
Derecognition	-	-	-	-	-	-	-	-	-
At 31 March 2019	(10,064)	(6,111)	(31,390)	(11,219)	-	(52)	-	(11,772)	(70,608)
Net Book Value At 31 March 2019	164,795	327,262	9,354	28,901	3,322	2,455	15,810	135,479	687,378
At 31 March 2018	158,404	322,037	8,921	27,615	2,989	3,506	3,555	137,900	664,927

**Notes to the Accounts (cont'd)****Comparative Movements in 2017/18**

	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
Cost or Valuation									
At 1 April 2017 (Restated)	154,881	260,778	33,330	35,717	2,908	3,297	26,374	119,493	636,778
Additions	4,576	4,808	4,091	1,861	81	-	35,885	1,733	53,035
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	14,548	28,870	-	-	-	-	-	2,598	46,016
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	138	4,453	-	-	-	-	-	(3,320)	1,271
Derecognition – disposals	(1,116)	-	(1,052)	-	-	-	-	-	(2,168)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(264)	(70)	-	-	-	(790)	-	-	(1,124)
Assets transferred to/from assets under construction	-	30,187	186	-	-	-	(58,704)	28,331	-
Assets transferred to/from Surplus Assets	-	(1,025)	-	-	-	1,025	-	-	-
Depreciation written back on revaluation	(5,296)	(4,799)	-	-	-	-	-	(2,868)	(12,963)
At 31 March 2018 (Restated)	167,467	323,202	36,555	37,578	2,989	3,532	3,555	145,967	720,845
Accumulated Depreciation and Impairment									
At 1 April 2017	(8,181)	(203)	(24,418)	(8,811)	-	-	-	(7,360)	(48,973)
Depreciation charge	(6,178)	(5,761)	(4,268)	(1,152)	-	(26)	-	(3,575)	(20,960)
Depreciation written out on revaluation and disposal	5,296	4,799	1,052	-	-	-	-	2,868	14,015
Derecognition	-	-	-	-	-	-	-	-	-
At 31 March 2018 (Restated)	(9,063)	(1,165)	(27,634)	(9,963)	-	(26)	-	(8,067)	(55,918)
Net Book Value At 31 March 2018	158,404	322,037	8,921	27,615	2,989	3,506	3,555	137,900	664,927
At 31 March 2017 (Restated)	146,700	260,575	8,912	26,906	2,908	3,297	26,374	112,133	587,805



Notes to the Accounts (cont'd)

Depreciation

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

- Council Dwellings - 30 years
- Other Land and Buildings - 10 - 50 years
- Vehicles, Plant, Furniture & Equipment - 4 - 20 years.
- Infrastructure - 24 years
- Community Assets – 0 - 21 years

Capital Commitments

At 31 March 2019, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2019/20 and future years. The major commitments include the following projects which have been stated at full project cost:-

	£000
Primary School Newton Mearns	15,300
Early Learning & Childcare Expansion to 1,140 hours	24,102
Core System Upgrade	3,500
Wireless Local Area Network	1,050

Revaluations

The Authority carries out a five year revaluation programme ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on a regular basis, in the current year Housing, Community Halls, Pavilions, Libraries, Resource Centres and Leisure Centres and Sports Pitches. 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.

**Notes to the Accounts (cont'd)****17. HERITAGE ASSETS****Reconciliation of the carrying value of Heritage Assets held by the Authority**

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	Total Heritage Assets £000
Cost or valuation At 1 April 2018	94	65	159	75	75	234
Revaluations	-	-	-	-	-	-
At 31 March 2019	94	65	159	75	75	234

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	Total Heritage Assets £000
Cost or valuation At 1 April 2017	94	65	159	75	75	234
Revaluations	-	-	-	-	-	-
At 31 March 2018	94	65	159	75	75	234

Further details on Heritage Assets can be found in Note 43.

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

The Authority 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 Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £96k charged to revenue in 2018/19 was charged to the IT Administration cost centre.

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

	2018/19 Software Licences £000	2017/18 Software Licences £000
Balance at start of year:		
• Gross carrying amounts	1,216	1,044
• Accumulated amortisation	(980)	(901)
Net carrying amount at start of year	236	143
Additions:		
• Internal development	-	-
• Purchases	108	172
• Acquired through business combinations	-	-
Amortisation for the period	(96)	(79)
Other changes	-	-
Derecognition		
• Gross Book Value	-	-
• Accumulated amortisation	-	-
Net carrying amount at end of year	248	236
Comprising:		
• Gross carrying amounts	1,324	1,216
• Accumulated amortisation	(1,076)	(980)
Balance at end of year:	248	236

**Notes to the Accounts (cont'd)****19. ASSETS HELD FOR SALE**

	Current Assets 2018/19 £000	Current Assets 2017/18 £000
Balance outstanding at start of year	1,037	768
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,033	1,124
• Other assets/liabilities in disposal groups	-	-
Additions	36	-
Revaluation losses	-	(76)
Revaluation gains	-	-
Impairment losses	-	(11)
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	(1,072)	(768)
Transfers from non-current to current	-	-
Balance outstanding at year-end:	1,034	1,037

**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:

	Long-term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Investments				
Loans and receivables	234	241	66,901	59,964
Total investments	234	241	66,901	59,964
Borrowings				
Financial liabilities at amortised cost (including Bank overdraft and long term creditors)	(87,881)	(80,043)	(4,944)	(4,376)
Total Borrowings	(87,881)	(80,043)	(4,944)	(4,376)
Other Long Term Liabilities				
PFI and finance lease liabilities	(85,748)	(90,481)	(4,732)	(4,308)
Total other long term liabilities	(85,748)	(90,481)	(4,732)	(4,308)

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

	2018/19 Surplus or Deficit on the Provision of Services £000	2017/18 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	3,738	3,845
Fee income:		
• Financial assets or financial liabilities that are not at fair value through profit or loss	-	(8)
Fee expense:		
• Financial assets or financial liabilities that are not at fair value through profit or loss	182	171
Total net(gain) / losses	3,920	4,008



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, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- 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;

Mark to Model Valuation for Financial Instruments – As at 31 March the Council held £67,135k financial assets and £92,825k financial liabilities for which Level 2 valuations will apply. All the financial assets are held with Money Market Funds and Notice Accounts. 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, we have used a financial model valuation provided by Link Asset Services. 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 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	92,825	127,097	84,419	117,313

The fair value of the liabilities is 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 2019) arising from a commitment to pay interest to lenders above current market rates.

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

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

	31 March 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	92,825	153,440	84,419	140,444

The authority 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 £74.70m, the fair value using New Borrowing Rates would be £101.56m. But, if the authority 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 £122.85m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £74.70m. 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 authority 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 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Deposits: short-term	32,904	32,965	35,964	36,011
Investments: short-term	33,997	34,033	24,000	24,039
Investments: long-term	234	234	241	241
	67,135	67,232	60,205	60,291

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

**Notes to the Accounts (cont'd)****21. DEBTORS**

	31 March 2019 £000	31 March 2018 £000
Trade receivables	2,577	2,506
Receivables from related parties	6,439	6,802
Prepayments	1,034	1,064
Other accounts	5,741	3,396
Total	15,791	13,768

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:

	31 March 2019 £000	31 March 2018 £000
Less than one year	2,236	2,171
Between one to two years	1,403	1,446
Between two and five years	2,887	2,506
More than five years	6,475	7,100
Total	13,001	13,223

Bad debt provision is provided for 2% of the amount levied in the current year and 100% of 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:

	31 March 2019 £000	31 March 2018 £000
Cash held by the Authority	17	18
Bank current accounts	(2,781)	(1,759)
Short-term deposits	32,904	35,964
Total	30,140	34,223

**Notes to the Accounts (cont'd)****24. CREDITORS**

	31 March 2019		31 March 2018	
	Short-term	Long-term	Short-term	Long-term
Trade payables	(8,163)	-	(5,100)	-
Payables to related parties	(9,749)	-	(9,740)	-
Other accounts	(30,604)	(93)	(26,151)	(92)
TOTAL	(48,516)	(93)	(40,991)	(92)

25. PROVISIONS

	Teachers Maternity Pay £000	Short- term provisions £000	SRC Operations £000	Insurance Excess £000	Long-term provisions £000
Balance at 31 March 2018	(130)	(130)	(10)	(149)	(159)
Additional provisions made in 2018/19	(152)	(152)	-	-	-
Amounts used in 2018/19	121	121	3	-	3
Unused amounts reversed in 2018/19	9	9	-	5	5
Balance at 31 March 2019	(152)	(152)	(7)	(144)	(151)

The Council has one short term provision to cover holidays accrued whilst teachers are on maternity.

Two long term provisions have been made in the accounts totalling £151k. These are made up firstly of £7k 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 £144k to cover insurance excess for outstanding claims made against the Council.

**Notes to the Accounts (cont'd)****26. BALANCE SHEET – UNUSABLE RESERVES**

	31 March 2019	31 March 2018
	£000	£000
Revaluation Reserve	(155,213)	(148,561)
Capital Adjustment Account	(344,902)	(324,636)
Financial Instruments Adjustment Account	1,345	1,462
Pensions Reserve	128,074	82,454
Statutory Accumulating Compensated Absences Account	5,902	5,504
Total Unusable Reserves	(364,794)	(383,777)

Revaluation Reserve

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

- 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 2019	31 March 2018 (Restated)
	£000	£000
Balance at 1 April	(148,561)	(107,064)
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:		
Upward revaluation of assets	(11,686)	(48,028)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	125	2,089
Amount written off to the Capital Adjustment Account:		
Difference between fair value depreciation and historical cost depreciation	4,204	3,754
Accumulated gains on assets sold or scrapped	705	688
Balance at 31 March	(155,213)	(148,561)



Notes to the Accounts (cont'd)

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

	2018/19	2017/18
	£000	£000
Balance at 1 April	(324,636)	(302,705)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
<ul style="list-style-type: none"> • Charges for depreciation and impairment of non-current assets • Revaluation losses on Property, Plant and Equipment • PPP/PFI lifecycle costs • Amortisation of intangible assets • 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 	29,071 - (1,229) 96 - 1,120	19,701 - (1,733) 79 - 1,884
	(295,578)	(282,774)
Adjusting amounts written out of the Revaluation Reserve	(4,909)	(4,442)
Net written out amount of the cost of non-current assets consumed in the year	(300,487)	(287,216)
Capital financing applied in the year:		
<ul style="list-style-type: none"> • Use of the Capital Receipts to finance new capital expenditure • Grants applied to Capital Investment • PPP/PFI Finance lease repayments • Loan repayments for the financing of capital investment charged against the General Fund and HRA balances • Capital Funded from Current Revenue/capital reserve 	(2,107) (18,402) (4,308) (9,722) (9,876)	(1,660) (9,777) (3,469) (9,636) (12,878)
Balance at 31 March	(344,902)	(324,636)

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

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

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 Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund over the next 5 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2018/19	2017/18
	£000	£000
Balance at 1 April	1,462	1,696
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(108)	(225)
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	(9)	(9)
Balance at 31 March	1,345	1,462

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 Authority 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 Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2017/18
	£000	£000
Balance at 1 April	82,454	173,922
Actuarial (gains) or losses on pension assets and liabilities	33,595	(103,800)
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	22,846	21,616
Employer's pension contributions and direct payments to pensioners payable in the year	(10,821)	(9,284)
Balance at 31 March	128,074	82,454

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

	2018/19 £000	2017/18 £000
Balance at 1 April	5,504	5,476
Settlement or cancellation of accrual made at the end of the preceding year	(5,504)	(5,476)
Amounts accrued at the end of the current year	5,902	5,504
Balance at 31 March	5,902	5,504

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000	2017/18 £000
Interest received	(481)	(194)
Interest paid	4,627	4,402
Interest element of finance lease rental and PPP/PFI payment	6,502	6,240

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

	2018/19 £000	2017/18 £000
Depreciation and impairment	(29,071)	(19,701)
Amortisation of intangible assets	(96)	(79)
(Increase)/decrease in creditors	(7,247)	1,959
Increase/(decrease) in debtors	(795)	889
Increase/(decrease) in inventories	11	96
Movement in pension liability	(12,025)	(12,332)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	987	(224)

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

Other non-cash items charged to the net surplus or deficit on the provision of services

18,519 10,011

(29,717) (19,381)

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment and intangible assets	40,442	52,288
Purchase of short-term and long-term investments	68,765	72,695
Proceeds from the sale of property, plant and equipment and intangible assets	(2,107)	(1,660)
Proceeds from short-term and long-term investments	(68,765)	(72,695)
Other receipts from investing activities	(14,606)	(10,251)
Net cash flows from investing activities	23,729	40,377

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Financing activities as at 1 April	(153,116)	(135,038)
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	4,308	3,469
Repayments of short and long-term borrowing	2,607	759
Other payments for financing activities	-	(22,306)
Financing activities as at 31 March	(146,201)	(153,116)

30. AGENCY SERVICES

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

During 2018/19 the Council collected and paid over £17.1m (2017/18 £17m) and received £0.259m (2017/18 £0.259m) for providing the service.

31. EXTERNAL AUDIT COSTS

	2018/19 £000	2017/18 £000
Agreed Audit Scotland audit fee for the year	227	222
Other Audit Services provided	-	-

**Notes to the Accounts (cont'd)****32. GRANT INCOME**

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

	2018/19	2017/18
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	162,932	161,493
Non Domestic Rates	14,318	14,552
Capital Grants and Contributions	18,402	9,777
Total	195,652	185,822
Credited to Services		
Housing Benefit Subsidy	14,790	14,896
Housing Benefit Administration Grant	175	190
Pupil Equity Fund	1,428	982
Unitary Charge – Barrhead High School	1,832	1,183
Education 1140 expansion	421	377
Criminal Justice Grant	563	462
Private Sector Housing Grant	257	105
Education Maintenance Allowance	405	410
Strathclyde Passenger Transport	297	200
Miscellaneous Revenue Grants	2,436	2,888
Total	218,256	207,515

The Authority 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:

	31 March 2019
	£000
Capital Grants Receipts in Advance	
Developer's Contributions	2,698
Environmental Improvement Grant	1,217
Energy Grant	150
Miscellaneous	33
	4,098

33. RELATED PARTIES

The Authority 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 Authority.



Notes to the Accounts (cont'd)

Scottish Government

The Scottish Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. 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 2018/19 is shown on page 37. The code of conduct for members requires them to complete a Declaration of Interest which is updated annually and held on a central register which is held by the Corporate and Community Department at Council Headquarters. A member is required to declare an interest where he/she feels that there may be a perception that their decision making may be influenced in any way by a personal interest or by representing an associated body. When this situation arises, and where appropriate, the relevant members do not take part in any discussion or decision in relation to that interest.

Officers

A similar register exists to enable officials to declare an interest when there could be a perception that a decision taken could be influenced by an activity undertaken on a personal basis or by representing an associated body. Again, when this situation arises the relevant officer does not take part in any discussion or decision relating to that interest. This register is held by the Corporate and Community Department at the Council Headquarters. Remuneration paid to senior employees is shown on page 36.

Entities Controlled or Significantly Influenced by the Council

East Renfrewshire Culture and Leisure Trust and East Renfrewshire Integration Joint Board are deemed to be related parties of the Council, mainly through the Council's ability to exert influence over the entity through its representation on the respective Boards. The relevant transactions and balances with the bodies are:-

			During 2018/19		As at 31 March 2019	
			Charges to £m	Charges from £m	Due from £m	Due to £m
East Renfrewshire Culture & Leisure Trust			(0.427)	5.510	(0.084)	0.353
East Renfrewshire Integration Joint Board			(48.557)	48.557	(0.061)	4.707

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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

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

2018/19	Housing £000	General Fund £000	Total £000
<i>Opening Capital Financing Requirement as at 31 March 2018</i>	26,587	166,648	193,235
<i>Capital investment</i>			
Property, Plant and Equipment	8,628	32,451	41,079
Intangible Assets	-	108	108
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve	-	(8,466)	(8,466)
Capital receipts	(204)	(1,903)	(2,107)
Government grants and other contributions	(3,019)	(15,383)	(18,402)
<i>Sums set aside from revenue</i>			
Direct revenue contributions	(300)	(1,110)	(1,410)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(5,537)	(5,537)
Loans Fund Principal	(3,009)	(6,713)	(9,722)
Closing Capital Financing Requirement as at 31 March 2019	28,683	160,095	188,778
Explanation of Movements in Year			
Increase in underlying need to borrow	2,096	(6,553)	(4,457)
Assets acquired under lease and lease type arrangements	-	-	-
Increase/(decrease) in Capital Financing Requirement	2,096	(6,553)	(4,457)
2017/18	Housing £000	General Fund £000	Total £000
<i>Opening Capital Financing Requirement as at 31 March 2017</i>	26,756	152,425	179,181
<i>Capital investment</i>			
Property, Plant and Equipment	5,119	47,959	53,078
Intangible Assets	-	129	129
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve	-	(11,500)	(11,500)
Capital receipts	(1,504)	(156)	(1,660)
Government grants and other contributions	(371)	(9,406)	(9,777)
<i>Sums set aside from revenue</i>			
Direct revenue contributions	(500)	(878)	(1,378)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(5,202)	(5,202)
Loans Fund Principal	(2,913)	(6,723)	(9,636)
Closing Capital Financing Requirement as at 31 March 2018	26,587	166,648	193,235
Explanation of Movements in Year			
Increase in underlying need to borrow	(169)	(4,615)	(4,784)
Assets acquired under lease and lease type arrangements	-	18,838	18,838
Increase/(decrease) in Capital Financing Requirement	(169)	14,223	14,054

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

The Authority 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:

	31 March 2019	31 March 2018
	£000	£000
Not later than one year	386	387
Later than one year and not later than five years	1,225	1,338
Later than five years	1,870	2,137
	3,481	3,862

The expenditure charged to the HSCP, Corporate and Community and Environmental lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

	31 March 2019	31 March 2018
	£000	£000
Minimum Lease payments	391	390
Contingent Rents	-	-
	391	390

AUTHORITY AS A LESSOR**Operating Leases**

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

- for the provision of community services

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

- 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:-

	31 March 2019	31 March 2018
	£000	£000
Not later than one year	286	184
Later than one year and not later than five years	363	461
Later than five years	16,454	16,857
	17,103	17,502

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 2018/19 £9,623 contingent rents were receivable by the Authority (2017/18 no contingent rents were receivable by the Authority).

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 Ninians 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 Authority'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 16.

Movement in Value of Assets	£000
Valuation at 1 April 2018	23,089
Additions/Revaluations	412
Depreciation in Year	(602)
NET BOOK VALUE AT 31 MARCH 2019	22,899

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

The annual Unitary Charge is a fixed sum of £2.3m. This is offset by a Direct Support Payment from the Scottish Government of £1.25m leaving a net cost to the Council of £1.05m.

The total value of payments over the remainder of the contract before inflation will be £18.4m and the total value of income from the Scottish Government will be £10.0m resulting in a net outstanding undischarged obligation before inflation of £8.4m.

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.

	Estimated Cash Value of Payments Due to be Made				Total £000
	Liability	Contingent Rent	Interest	Service Charges	
	£000	£000	£000	£000	
Within 1 year	878	674	668	1,231	3,451
Within 2 to 5 years	4,067	2,901	1,772	5,955	14,695
Within 6 to 10 years	2,499	1,638	294	3,492	7,923
ESTIMATED TOTAL	7,444	5,213	2,734	10,678	26,069

(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 Authority'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 16.

Movement in Value of ERC Assets	£000
Valuation at 1 April 2018	28,920
Additions/Revaluations	265
Depreciation in Year	(884)
NET BOOK VALUE AT 31 MARCH 2019	28,301

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.

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

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 £1.6m.

	Estimated Cash Value of Payments Due to be Made				Total £000
	Liability	Contingent Rent	Interest	Service Charges	
	£000	£000	£000	£000	
Within 1 year	1,076	349	1,352	723	3,500
Within 2 to 5 years	4,428	1,588	4,788	3,549	14,353
Within 6 to 10 years	6,512	2,493	4,484	5,274	18,763
Within 11 to 15 years	9,765	3,458	2,205	4,291	19,719
Within 16 to 20 years	2,097	723	99	1,475	4,394
ESTIMATED TOTAL	23,878	8,611	12,928	15,312	60,729

(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 Authority'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 16.

Movement in Value of Assets	£000
Valuation at 1 April 2018	61,588
Additions/Revaluations	582
Depreciation in Year	(1,594)
NET BOOK VALUE AT 31 MARCH 2019	60,576

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 £82.32m and the total value of income from the Scottish Government will be £43.41m leaving a net outstanding undischarged obligation of £38.91m.

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

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				Total £000
	Liability	Contingent Rent	Interest	Service Charges	
	£000	£000	£000	£000	
Within 1 year	2,207	1,597	2,752	2,799	9,355
Within 2 to 5 years	9,271	7,252	9,361	13,446	39,330
Within 6 to 10 years	15,346	11,833	7,394	19,179	53,752
Within 11 to 15 years	10,917	7,741	1,233	9,077	28,968
ESTIMATED TOTAL	37,741	28,423	20,740	44,501	131,405

(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 16.

Movement in Value of Assets	£000
Valuation at 1 April 2018	24,303
Additions/Revaluations	24
Depreciation in Year	(624)
NET BOOK VALUE AT 31 MARCH 2019	23,703

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 £49.157m and the total value of income from the Scottish Government will be £43.329m leaving a net outstanding undischarged obligation of £5.828m.

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

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

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				Total £000
	Liability	Contingent Rent	Interest	Service Charges	
	£000	£000	£000	£000	
Within 1 year	4,734	2,639	6,185	4,917	18,475
Within 2 to 5 years	20,198	11,857	21,171	23,950	77,176
Within 6 to 10 years	27,370	16,033	17,856	30,480	91,739
Within 11 to 15 years	24,673	11,257	7,997	16,438	60,365
Within 16 to 20 years	8,035	1,018	3,058	4,389	16,500
Within 20 to 25 years	5,469	426	720	1,773	8,388
ESTIMATED TOTAL	90,479	43,230	56,987	81,947	272,643

37. IMPAIRMENT LOSSES**Impairment of Assets**

Impairment losses/(reversals) of £6.625m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

	Losses £000	Reversal of Previous Losses £000	Net Loss/(Reversal) £000
Property, Plant & Equipment and Assets Held for Sale	7,871	(1,246)	6,625

38. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2018/19 incurring liabilities of £2.02m (£1.4m in 2017/18). This was in respect of 44 officers (23 officers in 2017/18) from across the Council. The Remuneration Report at page 42 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 last four-yearly valuation was undertaken as at 31 March 2016. The next valuation will be as at 31 March 2020 and this will set contribution rates from 1 April 2023.

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



Notes to the Accounts (cont'd)

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 current employer contribution rate of 17.2% has applied from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. In addition £0.35m was paid (2017/18 £0.3m) in respect of added years.

At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employers pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employers contribution rate.

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2018, by East Renfrewshire Council was £8.028m, equating to approximately 1.92% of the total contributions made to the scheme.

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 pensions 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.



Notes to the Accounts (cont'd)

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 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:

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

	Local Government Pension Scheme	
	2018/19 £000	2017/18 £000
Included in net cost of services within Comprehensive Income and Expenditure Statement		
<ul style="list-style-type: none"> • Current service cost • Past service costs (including curtailments) • Effect of settlement • Contributions in respect of unfunded benefits <i>Included within Financing and Investment Income and Expenditure</i>	21,363 400 - (1,273)	18,091 149 - (1,246)
• Net interest cost	2,356	4,622
<i>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	22,846	21,616
Included within Other Comprehensive Income and Expenditure		
<ul style="list-style-type: none"> • Expected return on scheme assets • Actuarial (gains) and losses on changes in demographic assumptions • Actuarial (gains) and losses arising on changes in financial assumptions • Other 	(16,351) - 49,359 587	(9,901) (803) (28,879) (64,217)
<i>Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	56,441	(82,184)
Movement in Reserves Statement		
<ul style="list-style-type: none"> • Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme • Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services 	10,821 (22,846)	9,284 (21,616)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(12,025)	(12,332)

Pensions assets and liabilities required in the Balance Sheet

The amount included in the Balance Sheet arising from the authority's obligation in respect of its defined benefit plans is as follows:

	Local Government Pension Scheme	
	2018/19 £000	2017/18 £000
Present value of the defined benefit obligation	(663,015)	(586,007)
Fair value of plan assets	534,941	503,553
Net liability arising from defined benefit obligation	(128,074)	(82,454)

**Notes to the Accounts (cont'd)****Reconciliation of the Movements in the Fair Value of Scheme Assets.****Local Government Pension Scheme**

	2018/19 £000	2017/18 £000
Opening fair value of scheme assets	503,553	481,565
Effect of Settlement	-	-
Interest income	13,615	12,515
Remeasurement gain/(loss)		
• The return on plan assets, excluding the amount included in the net interest expenses	16,351	9,901
• Other	-	-
The effect of changes in foreign exchange rates	-	-
Contributions from employer	10,821	9,284
Contributions from employees into the scheme	3,290	2,917
Benefits paid	(12,689)	(12,629)
Closing fair value of scheme assets	534,941	503,553

Reconciliation of Present Value of the Scheme Liabilities**Funded liabilities:
Local Government Pension Scheme**

	2018/19 £000	2017/18 £000
Opening balance at 1 April	(586,007)	(655,487)
Effect of Settlement	-	-
Current service cost	(21,363)	(18,091)
Interest cost	(15,971)	(17,137)
Contributions from scheme participants	(3,290)	(2,917)
Remeasurement gains and (losses)		
• Actuarial (gains) and losses on changes in demographic assumptions	-	803
• Actuarial (gains) and losses arising on changes in financial assumptions	(49,359)	28,879
• Other	(587)	64,217
Past service cost	(400)	(149)
Benefits paid	13,962	13,875
Closing balance at 31 March	(663,015)	(586,007)

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

Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-19				31-Mar-18			
	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	%
Equity Securities:								
Consumer	34,257	97	34,354	6	32,247	91	32,338	6
Manufacturing	27,756	84	27,840	5	26,127	79	26,206	5
Energy and Utilities	7,151	-	7,151	1	6,732	-	6,732	1
Financial Institutions	23,061	-	23,061	4	21,708	-	21,708	4
Health and Care	13,544	139	13,683	3	12,750	130	12,880	3
Information Technology	17,630	4	17,634	3	16,595	4	16,599	3
Other	-	-	-	-	-	-	-	-
Debt Securities								
Corporate Bonds (investment grade)	16,784	-	16,784	3	15,800	-	15,800	3
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	63,923	63,923	12	-	60,172	60,172	12
Real Estate:								
UK Property	-	48,434	48,434	9	-	45,592	45,592	9
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	151,930	13,169	165,099	31	143,015	12,397	155,412	31
Bonds	23,394	38,540	61,934	12	22,021	36,279	58,300	12
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	268	-	268	-	252	-	252	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	686	686	-	-	645	645	-
Derivative								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	11	-	11	-	10	-	10	-
Cash and cash equivalents								
All	27,538	26,540	54,078	10	25,922	24,983	50,905	10
Totals	343,325	191,616	534,941	100	323,180	180,373	503,553	100

Please note, the sum of the individual items may not equal the totals shown due to rounding.

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 2017.

The principal assumptions used by the actuary have been:-

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

	Local Government Pension Scheme	
	2018/19	2017/18
Investment returns	5.9%	4.1% (estimate)
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4 years	21.4 years
• Women	23.7 years	23.7 years
Longevity at 65 for future pensioners:		
• Men	23.4 years	23.4 years
• Women	25.8 years	25.8 years
Rate of increase in salaries	3.7%	3.6%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	2.4%	2.7%

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.

Change in assumptions at 31 March 2019:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10	65,511
0.5% increase in the Salary Increase Rate	2	11,804
0.5% increase in the Pension Increase Rate	8	52,312

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 Authority'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



Notes to the Accounts (cont'd)

Local Authorities. Employer's contributions have been set at 19.3% for the next three years following completion of the triennial valuation as at 31 March 2017.

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 2020 is £10.334 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.5 years (19.5 years 2017/18).

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, a ruling regarding discrimination arising from public sector pension scheme transition arrangements has been made, however, the financial impact is not clear and the timescale for the resolution of this matter may be lengthy. Further contingent liabilities exist in relation to the Council's share of any potential future claims against the former Strathclyde Regional Council and in relation to an Internal Audit report on non-compliance with Council procedures in the award of contracts.

As the Council continues to implement workforce planning all departments are carrying out a programme of reviews. These may result in non-recurring expenditure in relation to future redundancies.

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. The Council has not quantified the possible liability.

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority'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 Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority 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



Notes to the Accounts (cont'd)

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;
- 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 including the prudential indicators was approved by Council on 2 March 2018 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2018/19 was set at £207.270m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £223.547m. 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 30% 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 periodically.

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



Notes to the Accounts (cont'd)

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:-

<u>Financial Asset Category</u>	<u>Criteria</u>	<u>Fitch</u>	<u>Moody's</u>
Deposits with Bank and Money Market Funds	Short Term: Long Term:	F1 A-	P-1 / P-2 A3

The Authority'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 2019 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 £2,977 during the year, the authority did not write off any financial assets.

**Notes to the Accounts (cont'd)****Credit Risk Exposure**

The authority has the following exposure to risk at 31 March 2019.

£000s	Credit Risk rating	Gross Carrying Amount (£)	Exposure to Credit Risk (£)
12-month expected credit losses	AAA	15,870,000	18
	AA	38,000,000	-
	A+	2,000,000	329
	A	7,000,000	429
	BBB	4,000,000	2,201
Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates)	Less than 3 months and past due date	444,000	-
	Three to six months	224,000	-
	Six months to one year	90,000	-
	More than one year	973,000	-

The Council does not generally allow credit for customers, such that as at 31 March 2019 £1.731m of the £2.577m (£1.383m of £2.505m as at 31 March 2018) sundry income debtors balance is past its due date for payment.

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

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.

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

The maturity analysis of financial liabilities is as follows:

	31 March 2019	31 March 2018
	£000	£000
Less than one year	2,163	2,618
Between one and two years	562	2,163
Between two and five years	1,211	944
More than five years	86,015	76,843
	89,951	82,568

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

Market Risk**Interest Rate Risk**

The Authority 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 authority. 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. 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.

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

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

	£000
Increase in interest payable on variable rate borrowings	226
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	(357)
Impact on Surplus or Deficit on the Provision of Services	(131)
Share of overall impact debited to the HRA	(38)
Decrease in fair value of fixed rate investment assets	-
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)	17,139

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

43. 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 2014/15 to 2018/19.



Housing Revenue Account Income and 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	2018/19 £000	2017/18 £000
Income			
Dwelling Rents		(10,832)	(10,603)
Non-dwelling Rents		(185)	(167)
Other Income		(841)	(797)
Total Income		(11,858)	(11,567)
Expenditure			
Repairs and Maintenance		4,490	4,181
Supervision and Management		3,174	2,953
Depreciation and Impairment on Non-Current Assets		8,232	6,096
Movements in the Impairment of Debtors	4	179	43
Other expenditure		203	62
Total Expenditure		16,278	13,335
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		4,420	1,768
HRA Services' Share of Corporate and Democratic Core		10	14
Net Cost for HRA Services		4,430	1,782
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		3	380
• Interest Payable and Similar Charges		1,090	1,103
• Interest and Investment Income		(36)	(18)
• Pension Interest Cost and Expected Return on Pension Assets		115	229
• Rental Income – operating lease over Property, Plant and Equipment		(197)	(190)
• Capital Grants and Contributions Receivable		(3,019)	(371)
(Surplus) or Deficit for the Year on HRA Services		2,386	2,915



Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

	HRA Notes	2018/19 £000	2017/18 £000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		2,386	2,915
Adjustments between Accounting Basis and Funding Basis Under Statute		(2,475)	(3,300)
Net (Increase) or Decrease Before Transfers to or from Reserves		(89)	(385)
(Increase) or Decrease in Year on the HRA		(89)	(385)
Balance on the HRA at the end of the Previous Year		(1,629)	(1,244)
Balance on the HRA at the end of the Current Year		(1,718)	(1,629)

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2018/19 £000	2017/18 £000
Gain or loss on sale of HRA non-current assets	(3)	(380)
Capital expenditure funded by the HRA	300	500
Transfer to/from the Capital Adjustment Account:		
• Depreciation	(8,232)	(6,096)
• Capital Grants and Contributions	3,019	371
• Repayment of Debt	3,009	2,913
HRA share of contributions to or from the Pensions Reserve	(565)	(604)
Transfer to/from the Statutory Compensated Absences Account	(3)	(4)
	(2,475)	(3,300)

2. Housing Stock

Council's housing stock at 31 March 2019 was 2,954 (2,939 at March 2018) in the following categories:

	2018/19 Number	2017/18 Number
1 Apartment	159	172
2 Apartment	937	912
3 Apartment	1,267	1,263
4 Apartment	509	511
5 Apartment	78	77
6 Apartment	4	4
Total	2,954	2,939



Notes to the Housing Revenue Accounts (cont'd)

3. Rent Arrears

At the year end rent arrears amounted to £876,108 (2017/18: £724,763) of which the current rent arrears were £522,881 (2017/18: £452,453) representing 3.7% (2017/18: 3.2%) of gross rent due and former tenant arrears amounted to £353,227 (2017/18: £272,310). In addition, the figure contains £16,751 (2017/18: £17,284) in respect of outstanding Housing Benefit Overpayments.

4. Impairment of Debtors

In the financial year 2018/19, the bad debt provision for the Housing Revenue Account was increased by £179,190, resulting in a bad debt provision balance of £844,938 (2017/18: £665,748).

5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £327,244 (2017/18: £222,628).



National Non Domestic Rates

National Non Domestic Rates (NNDR) income is collected by local authorities 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 authority 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 authority”.

	2018/19 £000	2017/18 £000
Gross rates levied and the contributions in lieu	20,647	20,161
Less:		
• Reliefs and other deductions	(6,058)	(5,347)
• Payments of interest	-	-
• Write-offs of uncollectable debts and allowance for impairment	(170)	(309)
Net Non Domestic Rate Income collected	14,419	14,505
Collection adjustment to meet Provisional Contribution Amount	-	582
Contribution to Non Domestic Rate pool	14,419	15,087
Distribution from Non Domestic Rate pool	14,318	14,427
Adjustments for years prior to the pool	-	-
Non-Domestic Rate income retained by Authority (BRIS)	-	125
Income credited to the Comprehensive Income and Expenditure Statement (as per Note 15)	14,318	14,552

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 2018/19 was £0.48 (2017/18 £0.466)

	Number	Rateable Value as at 1 April 2018 £
Shops	594	16,099,900
Offices	347	3,749,220
Hotels, Boarding Houses etc.	9	640,000
Industrial and Freight Transport	159	1,456,470
Subject Miscellaneous	425	18,212,178
Subjects Other	274	3,698,420
Total	1,808	43,856,188



Council Tax

Local authorities raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority 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.

	2018/19	2017/18
	£000	£000
Gross Council Tax levied and contributions in lieu	60,545	58,337
Adjustments for prior years Council Tax	(144)	(275)
Adjusted for:		
• Council Tax Reduction Scheme	(3,601)	(3,654)
• Council Tax Benefits (Net of Government Grants)	13	21
• Other discounts and reductions	(6,012)	(5,617)
• Uncollectable debt and allowance for impairment	(687)	(740)
Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 15)	50,114	48,072

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 2018/19 was £1,194.57 (2017/18: £1,159.78).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. 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 (cont'd)****Calculation of the Council Tax Base 2018/19***

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,342	(140)	18	(196)	(39)	985	240/360	655
BAND B	5,231	(261)	5	(609)	(33)	4,334	280/360	3,370
BAND C	4,013	(125)	48	(402)	(25)	3,510	320/360	3,120
BAND D	6,571	(130)	(21)	(615)	(21)	5,785	360/360	5,785
BAND E	8,240	(119)	(11)	(529)	(20)	7,561	473/360	9,934
BAND F	6,149	(43)	(33)	(294)	(16)	5,763	585/360	9,365
BAND G	6,398	(56)	(6)	(263)	(22)	6,052	705/360	11,851
BAND H	733	(4)	-	(15)	(2)	712	882/360	1,744
							TOTAL	45,824
							Provision for non-collection (2%)	(916)
							Council Tax Base	44,908

*Source: A Questionnaire requested by the Scottish Government entitled Council Tax Base 2017 amended to reflect the Scottish Government multipliers for houses E to H

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 2018/19 was £1,194.57.

BAND A	£796.38	BAND E	£1,569.54
BAND B	£929.11	BAND F	£1,941.18
BAND C	£1,061.84	BAND G	£2,339.37
BAND D	£1,194.57	BAND H	£2,926.70



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.

Movement in Reserves statement for the year ending 31 March 2019

	2018/19 Unusable Reserve £000	2017/18 Unusable Reserve £000
Balance at 1 April	(1,652)	(1,654)
Deficit / (surplus) on the provision of services	66	-
Other comprehensive income and expenditure	(79)	2
Balance at 31 March	<u>(1,665)</u>	<u>(1,652)</u>

Comprehensive Income and Expenditure Statement for the year ending 31 March 2019

	Expenditure £000	2018/19 Income £000	Net £000	Expenditure £000	2017/18 Income £000	Net £000
Net costs of services	70	(4)	66	66	(64)	2
(Surplus) or deficit						
(Surplus) / deficit on revaluation of fixed assets			(79)			-
Total Comprehensive Income and Expenditure			<u>(13)</u>			<u>2</u>

Balance Sheet

	2018/19 £000	2017/18 £000
Property, Plant and Equipment	1,665	1,652
Net Assets	<u>1,665</u>	<u>1,652</u>
Unusable Reserve:		
Revaluation Reserve	(617)	(552)
Capital Adjustment Account	(1,048)	(1,100)
Net Reserves	<u>(1,665)</u>	<u>(1,652)</u>

**Common Good Fund (cont'd)****PROPERTY, PLANT & EQUIPMENT****Movement on Balances (Common Good)**

	Land and Buildings 2018/19 £000	Land and Buildings 2017/18 £000
Cost or Valuation at 1 April	1,718	1,654
Additions	-	64
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	79	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	4	-
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	(15)	-
As at 31 March	1,786	1,718
Accumulated Depreciation and Impairment at 1 April	(66)	-
Depreciation charge	(70)	(66)
Depreciation written out on revaluation and disposal	15	-
Derecognition – other (transfers)	-	-
As at 31 March	(121)	(66)
Net Book Value at 31 March 2019	1,665	
Net Book Value at 31 March 2018	1,652	1,652
Net Book Value at 31 March 2017		1,654

**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. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year ended 31 March 2018

Year ended 31 March 2019

Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
145,736	(25,613)	120,123	Education	139,490	(16,604)	122,886
62,930	(18,941)	43,989	HSCP – Provision of Services	65,417	(17,467)	47,950
36,515	(7,920)	28,595	Environment	40,801	(8,614)	32,187
21,992	(15,814)	6,178	Corporate & Community – Community Resources	22,266	(15,887)	6,379
346	(185)	161	Chief Executive's Office	373	(115)	258
5,825	(4,865)	960	Other Expenditure	7,329	(4,165)	3,164
3,267	(261)	3,006	Support Services – Chief Executive's Office	3,489	(236)	3,253
12,084	(1,945)	10,139	Support Services – Corp & Comm	11,474	(710)	10,764
971	(1,963)	(992)	Support Services – Environment	2,618	(458)	2,160
			Share of operating results of subsidiaries:-			
8,635	(3,379)	5,256	ERC Leisure Trust	9,077	(3,445)	5,632
66	(64)	2	Common Good	70	(4)	66
35	(20)	15	Trust Funds	14	(10)	4
298,402	(80,970)	217,432	Net Cost of General Fund Services	302,418	(67,715)	234,703
13,335	(11,567)	1,768	HRA	16,278	(11,858)	4,420
311,737	(92,537)	219,200	Cost of Services	318,696	(79,573)	239,123
		(561)	Other operating expenditure			(1,818)
		14,461	Financing and investment income and expenditure			12,240
		(233,894)	Taxation and non-specific grant income			(245,766)
		(794)	(Surplus) / Deficit on Provision of Services			3,779
		(3,796)	Share of operating results of associates			(643)
		(225)	Share of operating results of joint venture			(264)
		(4,815)	Group (Surplus) / Deficit (Note 1 Group)			2,872
		(45,939)	(Surplus) / Deficit on revaluation of fixed assets			(11,640)
		(102,699)	Actuarial (gains)/losses on pension assets/liabilities			35,374
		(2,895)	Share of other comprehensive expenditure and income of associates and joint venture			653
		(151,533)	Other Comprehensive Income and Expenditure			24,387
		(156,348)	Total Comprehensive Income and Expenditure			27,259



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 authority 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 authority'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	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
Balance at 31 March 2018 carried forward	(10,133)	(16,297)	(1,629)	(8,410)	(1,934)	(11,454)	(49,857)	(383,777)	(8,307)	(9,320)	(451,261)
Movement in reserves during 2018/19											
Total Comprehensive Income and Expenditure	770	-	2,386	-	-	-	3,156	22,034	592	1,477	27,259
Adjustments between accounting basis & funding basis under regulations	(2,940)	-	(2,475)	-	-	8,466	3,051	(3,051)	-	-	-
(Increase)/Decrease in 2018/19	(2,170)	-	(89)	-	-	8,466	6,207	18,983	592	1,477	27,259
Net transfer to or from Reserves	1,786	(2,752)	-	1,829	(16)	(847)	-	-	-	-	-
Balance at 31 March 2019 carried forward	(10,517)	(19,049)	(1,718)	(6,581)	(1,950)	(3,835)	(43,650)	(364,794)	(7,715)	(7,843)	(424,002)
Balance at 31 March 2017 carried forward	(9,754)	(11,604)	(1,244)	(9,514)	(1,925)	(19,568)	(53,609)	(228,675)	(5,267)	(7,362)	(294,913)
Movement in reserves during 2017/18											
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	(1,611)	(149,739)	(3,040)	(1,958)	(156,348)
Adjustments between accounting basis & funding basis under regulations	(2,837)	-	(3,300)	-	-	11,500	5,363	(5,363)	-	-	-
(Increase)/Decrease in 2017/18	(7,363)	-	(385)	-	-	11,500	3,752	(155,102)	(3,040)	(1,958)	(156,348)
Net transfer to or from Reserves	6,984	(4,693)	-	1,104	(9)	(3,386)	-	-	-	-	-
Balance at 31 March 2018 carried forward	(10,133)	(16,297)	(1,629)	(8,410)	(1,934)	(11,454)	(49,857)	(383,777)	(8,307)	(9,320)	(451,261)



Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority and its Group entities. The net assets of the authority (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'.

Restated 31 March 2017 £000	Restated 31 March 2018 £000		31 March 2019 £000
589,459	666,579	Property, Plant & Equipment	689,043
234	234	Heritage Assets	234
143	236	Intangible Assets	248
10,262	16,499	Long-term Investments and/or Investments in Associates and Joint Venture	16,999
246	241	Investments	234
600,344	683,789	Long Term Assets	706,758
768	1,037	Assets Held for Sale	1,034
359	344	Short Term Intangible Assets	447
363	458	Inventories	475
13,356	13,684	Short Term Debtors	16,035
5,000	24,000	Short Term Investments	33,997
36,452	35,692	Cash and Cash Equivalents	31,989
56,298	75,215	Current Assets	83,977
(1,764)	(2,617)	Short Term Borrowing	(2,163)
(3,126)	(4,308)	Finance Leases including PFI/PPP	(4,732)
(43,225)	(41,897)	Short Term Creditors	(49,862)
(155)	(130)	Provisions	(152)
(48,270)	(48,952)	Current Liabilities	(56,909)
(152)	(159)	Provisions – long term	(151)
(62,568)	(79,951)	Long Term Borrowing	(87,788)
(341)	(92)	Long Term Creditors	(93)
(988)	(309)	Liabilities in associates and joint venture	(555)
(72,825)	(90,481)	PFI/PPP Finance Lease	(85,748)
(172,791)	(83,161)	Defined Benefit Pension Liability	(131,391)
(3,794)	(4,638)	Capital Grant Receipts in Advance	(4,098)
(313,459)	(258,791)	Long Term Liabilities	(309,824)
294,913	451,261	Net Assets	424,002
(58,876)	(58,164)	Usable Reserves	(51,365)
(236,037)	(393,097)	Unusable Reserves	(372,637)
(294,913)	(451,261)	Total Reserves	(424,002)

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2019

**Group Cash Flow Statement**

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the authority 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.

2017/18	2018/19
£000	£000
(4,815) Net Group (surplus) or deficit on the provision of services	2,872
(16,788) Group adjustments to net surplus or deficit on the provision of services for non-cash movements	(29,813)
- Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(21,603) Net cash flows from Operating Activities	(26,941)
40,441 Investing Activities	23,729
(18,078) Financing Activities	6,915
760 Net (increase) or decrease in cash and cash equivalents	3,703
(36,452) Cash and cash equivalents at the beginning of the reporting period	(35,692)
(35,692) Cash and cash equivalents at the end of the reporting period	(31,989)

**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.

	2018/19 £000	2017/18 £000
(Surplus)/Deficit on East Renfrewshire Council's provision of services	3,156	(1,611)
(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:		
Net expenditure/(income) on Trust Funds in year	1	13
Common Good	66	2
East Renfrewshire Culture and Leisure Trust	556	802
(Surplus)/Deficit in year arising from associates included in the Group Accounts:		
• Strathclyde Partnership for Transport	(718)	(3,897)
• Strathclyde Concessionary Travel Scheme Joint Committee	12	6
• Renfrewshire Valuation Board	63	95
(Surplus)/Deficit in year arising from a joint venture included in the Group Account:		
East Renfrewshire Integration Joint Board	(264)	(225)
GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES	2,872	(4,815)



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 along with the Council's Charitable Trust Funds are administered by East Renfrewshire Council (as sole trustee) and are treated as subsidiaries within Council's Group Accounts, within 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 liabilities of the company were £2.891m at 31 March 2019. The loss on ordinary activities before and after taxation for the year to 31 March 2019 was £0.556m (2017/18 £0.802m).

The latest set of audited accounts is for the year to 31 March 2019. Copies of the audited accounts may be obtained from the Chief Executive, East Renfrewshire Culture and Leisure Trust, St John's Campus, 18 Commercial Road, Barrhead, East Renfrewshire, G78 1AJ.

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

Is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland.



Notes to the Group Accounts (cont'd)

The Council contributed £1.53m or 4.27% to the Authority's running costs during 2018/19 and accounted for £14.277m (2017/18 £14.029m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Authority are subject to independent audit and are available from The Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint 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 2018/19 the Council contributed £0.171m or 4.17% to the annual running costs and accounted for £0.053m (2017/18 £0.065m) 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, Consort House, 12 West George Street, Glasgow G2 1HN.

The Renfrewshire Valuation Joint 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 £0.458m or 20.6% to the organisation's revenue costs and its share of the year- end net liability of £0.582m (2017/18 £0.348m) 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



Notes to the Group Accounts (cont'd)

the United Kingdom 2018/19 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 2018/19 the Council contributed £66.41m or 42.9% to the annual running costs and accounted for £2.669m (2017/18 £2.405m) 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.

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 £15.558m, representing the Council's net share of the net assets in these entities.

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 liability, this liability is a direct consequence of the requirement to fully account for Employee Benefits. 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 17 Trusts, 7 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.

Charity Number		Expenditure £	Income £	Balance 31.03.19 £	Balance 31.03.18 £
SCO05976	Duff Memorial Fund	-	101	7,394	7,293
SCO16641	Newton Mearns Benevolent Fund	876	49	3,417	4,244
SCO19475	Janet Hamilton Fund	1,382	669	14,607	15,320
SCO19474	John Pattison Memorial	-	82	159	77
SCO19473	Hugh & Janet Martin Fund	493	144	1,072	1,421
SCO37293	Netherlee School 1937	10,000	10,127	205	78
SCO37925	Talented Children & Young People	-	5	16	11
CHARITABLE REVENUE BALANCES		12,751	11,177	26,870	28,444
	Thornliebank War Memorial Fund	-	7	696	689
	Anderson Bequest	243	12	112	343
	Cathcart Cemetery Fund	-	79	6,236	6,157
	Crum Memorial	-	9	63	54
	McNiven Prize	-	16	923	907
	Rev Denis Reen	-	35	2,192	2,157
	James Cowan Bequest	-	16	388	372
	Cowan Park Cropping Fund	-	4	23	19
	Annie Tyson Trust Fund	1,000	1,730	48,064	47,334
	Rita Donnelly Memorial Prize	-	-	20	20
OTHER TRUST FUND REVENUE BALANCES		1,243	1,908	58,717	58,052

		Capital Value of Fund		
		31.03.19 £	31.03.18 £	
The Principal Funds	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
	Talented Children & Young People	For talented children and young people in the fields of arts and crafts	555	555
	Other – Charitable		1,500	1,500
CHARITABLE TOTAL RESERVES			87,063	87,063
	Annie Tyson Trust Fund	Assisting with special needs training	157,306	157,306
	Other Trust Funds		10,256	10,256
OTHER TRUST FUND TOTAL RESERVES			167,562	167,562

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

		2018/19 £	2017/18 £
Balance Sheet – Charitable	Fund balances	113,933	115,507
	Creditors	-	-
	TOTAL LIABILITIES	113,933	115,507
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	113,933	115,507
	TOTAL ASSETS	113,933	115,507

		2018/19 £	2017/18 £
Balance Sheet – Other Trust Funds	Fund balances	226,279	225,614
	Creditors	-	-
	TOTAL LIABILITIES	226,279	225,614
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	226,279	225,614
	TOTAL ASSETS	226,279	225,614



Notes to the Group Accounts (cont'd)

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 £70,157 (2017/18, £69,647) representing 2% (2017/18, 2%) of the organisation's estimated running costs for the year to 31 March 2019.
- The **Glasgow and Clyde Valley Structure Plan** Joint Committee is constituted under a formal agreement of the eight Councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for the local planning matters in their area but also the strategic issues that cover the wider area of Glasgow and Clyde Valley. Accordingly the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. During the year, the Council made a contribution of £72,438 (2017/18, £72,438) representing 12.5% (2017/18, 12.5%) of the Committee's estimated running costs for the year to 31 March 2019.
- **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 (2017/18, £16,400) representing 4.19% (2017/18 4.19%) of the consortium's estimated running costs for the year to 31 March 2019.
- 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 (2017/18, £7,619) representing 5.95% (2017/18 5.95%) of the Committee's estimated running costs for the year to 31 March 2019.
- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSSEC). During the year, the Council made a contribution of £1,632 (2017/18 £1,632) representing 3.87% (2017/18 3.87%) of the Forum's estimated running costs for the year to 31 March 2019.
- The **Glasgow and Clyde Valley Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic



Notes to the Group Accounts (cont'd)

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 £59,695 (2017/18 £50,753) representing 5.1% (2017/18 5.1%) of the organisation's running costs for the year to March 2019.

- 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 £78,263 (2017/18 £91,072) representing 2.51% (2017/18 2.51%) of the organisation's running costs for the year to 31 March 2019.

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.

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.



Glossary of Terms (cont'd)

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.

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 an authority'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 authority has a participating interest and over whose operating and financial policies the reporting authority 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



BLANK PAGE

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE20 June 2019Report by Director of EnvironmentARBORICULTURAL FRAMEWORK**PURPOSE OF REPORT**

1. To advise the Audit & Scrutiny Committee on matters arising in connection with the Council's Arboricultural Framework Agreement, during the period 1 March 2017 to 20 October 2017 and the subsequent actions taken by the Department in response.

RECOMMENDATIONS

2. That the Committee note the content of the report and the subsequent actions taken on behalf of the Council.

BACKGROUND

3. Framework agreements awarded by East Renfrewshire Council are for products or services supplied by one or more suppliers. Framework agreements are typically used where requirements are needed on a repetitive basis but the exact quantities are unknown.

4. Framework contracts can be awarded to more than one supplier for the same goods and services where there will be benefits to the Council. For example where urgent work is required access to a number of suppliers can be useful to ensure the work can be undertaken as quickly as possible. Where multiple suppliers are used it is best practice to rank the supplier to ensure transparency in which supplier is chosen for each piece of work.

5. Careful consideration and stringent procurement processes are applied to awarding a ranked framework. Suppliers within the framework are ranked 1, 2 and 3. Where it is specified that this ranking is to be applied in order to select a supplier, the first ranked contractor must be contacted in every case. It is only where the first supplier cannot meet the Council's requirement that the second or third ranked contractor is contacted.

6. On 1 March 2017, the Council established a recognised framework to support the procurement of Arboricultural (Tree) works. This framework was established to ensure best value and transparency was applied to any arboricultural works to be undertaken by East Renfrewshire Council. The framework was to run until 29 February 2020 with the option to extend for an additional 12 months.

7. In relation to the Arboricultural Framework within East Renfrewshire Council, three contractors were ranked in the following order as at (1 March 2017):

- 1st – Ayrshire Tree Surgeons
- 2nd – Premier Tree Surgeons
- 3rd – ISS Facility Services – Landscaping

REPORT

8. Following an internal audit report on risk management and corporate governance senior management within the Environment Department in October 2017 reviewed the arboricultural framework contract to ensure correct protocols were being followed. It became apparent on review that there were concerns about the allocation of works orders under this particular framework. This was subsequently reported to Internal Audit by the Director of Environment, as a matter of urgency. The matter was in due course referred to briefly by the Chief Auditor at the Audit and Scrutiny Committee in January 2018.

9. Investigations were conducted in the first instance by internal audit and secondly in accordance with the Council's Disciplinary procedures. The Head of Operations immediately put a hold on all further treeworks until they had been assessed by a qualified arborist, and were confirmed to be compliant with procurement procedures.

10. The Disciplinary Investigation confirmed that the total value of works carried out under the framework during the period in question was £290,000. During this period the first ranked contractor received 12 orders for work totalling £15,000. The second ranked contractor received 54 orders for work with a value of £275,000. Resulting in 95% of works orders being allocated to the second ranked contractor in the framework.

11. The investigation conducted by Internal Audit in the first instance identified that an estimated £50,000 of excess cost had been incurred by the council by incorrectly awarding work to the second ranked contractor. This was effectively due to the first ranked contractor having lower day rates.

12. In conclusion both investigations confirmed that Council procedures in the award of works orders under the framework were not complied with and that the second ranked contractor was continually awarded work, without any evidence to support the offer of works orders to the first contractor on the framework. Both investigations concluded that this action has resulted in best value not being achieved and the Council incurring additional costs as a result.

13. Consequently, Ayrshire Tree Surgeons also requested the Council investigate awarding of orders to the second ranked contractor. This then introduced additional risk and exposure to a potential legal challenge from the first ranked contractor. The Council subsequently received a formal notification of claim from the first ranked contractor's solicitors, the value of that claim being £168,000.

14. The Council appointed a Forensic Accountant to assess the veracity of this claim, and in conjunction with the Chief Solicitor, that claim has now been settled at £102,000.

15. The claim was not covered by the Council's insurers. Although approaches were made to the Council's insurers in respect of the claim they declined to deal with it on the basis that the losses were outwith the coverage of the relevant policies, consequential loss being excluded from the fidelity policy and 3rd party contractual claims being outwith the scope of the professional indemnity coverage.

CONCLUSION

16. The Council has settled a claim of £102,000 in favour of the first ranked contractor. This amount has been absorbed within the 2018/19 Neighbourhood Services budget through carefully managed underspends in other areas. It will not affect the 2019/20 Parks budget.

17. In addition an estimated £50,000 of excess cost was incurred by the Council as a result of malpractice.

18. It is important that the Committee are made aware of this loss to the Council and also the circumstances behind it. The delay in reporting to Committee was firstly due to the ongoing disciplinary case, then subsequently the financial claim against the Council and then the Employment Tribunal. A report during any of these cases may have been prejudicial to their outcome.

ACTION TAKEN & LESSONS LEARNED

19. Following the conclusion of internal investigations, disciplinary Action was taken in this case and the individual responsible for misallocating the works orders has been subsequently dismissed from Council service on the grounds of Gross Misconduct. An Appeal Hearing against the dismissal was held on Friday 16th November 2018, and the Appeals Panel upheld the decision to dismiss the appellant. The employee then filed for an Employment Tribunal which was intended to be held in the last week of April 2019. The employee failed to attend the Tribunal and the case against the Council has been dismissed.

20. The Senior Management team within the Department have as a result of this breach reviewed internal process and procedure in order to mitigate any risk of recurrence. Enhanced checks and protocols have been established and all recommendations from Internal Audit have been applied (Appendix 1).

RECOMMENDATION

21. That the Committee note the content of the report and the subsequent actions taken on behalf of the Council.

Further details can be obtained from Andrew Corry, Head Operations, Environment

BLANK PAGE

APPENDIX 1

ACTION PLAN

Risk Ratings for Recommendations	
High	<ul style="list-style-type: none"> • Key controls absent, not being operated as designed or could be improved and could impact on the organisation as a whole. • Corrective action must be taken and should start immediately.
Medium	<ul style="list-style-type: none"> • There are areas of control weakness which may be individually significant controls but unlikely to affect the organisation as a whole. • Corrective action should be taken within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Area is generally well controlled or minor control improvements needed. • Lower level controls absent, not being operated as designed or could be improved
Efficiency	<ul style="list-style-type: none"> • These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	<i>A more effective system of separation of duties should be put in place which genuinely prevents one person, even in areas of specialisation, from having control of the majority of the process. Specifically, the AO should be excluded from being involved in verification for the GRN process which allows the invoice to be paid.</i>	High	YES	Supervisor to visit site, obtain quote and complete purchase request form with quote attached. Admin to process PO. Manager to approve. 2 nd Supervisor to inspect work is complete and advise admin. Admin to grn and process invoice.	JB	01/02/18

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				In practice emergency works could not be carried out using this procedure. Once works carried out remainder of process will be carried out and double checked that all work down within framework agreement prior to grn.		
4.2.1	<i>The authoriser of the purchase order should check all aspects of the purchase order prior to applying authorisation, even on a spot-check basis.</i>	Medium	YES	Agree	JB	01/02/18
4.2.2	<i>A written procedure checklist should be established detailing what should be checked before a purchase order is authorised.</i>	Low		N/A	Chief Officer - Legal	
4.2.3	<i>Consideration should be given to incorporating a verification process into the purchase order module of the e-fins process to give assurance that procedures had been complied with, for example, the ranking has been applied.</i>	Low		N/A	Head of Accountancy	
4.3.1	<i>Quotations must be obtained from the contractor prior to the work being carried out and should clearly state the estimated</i>	Medium	YES	As 4.1.1. Quote must be obtained which should state works	JB	01/02/18

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
	<i>number of days to complete the works and the total cost.</i>			being carried out, no. of days, machinery being used and cost of works. This should refer back to contractual rates. Shopping list will be obtained at next contract review meeting. Agreed as per 4.1.1 emergency procedure will be exempt.		
4.3.2	<i>Purchase orders must only be raised on receipt of the quotation and prior to the work commencing.</i>	Medium	YES	See 4.1.1. Agreed emergency works procedure exempt.	JB	01/02/18
4.3.3	<i>An improved audit trail should be established which better demonstrates how the number of days required was established and consequently the price for the job.</i>	Medium	YES	Detailed quote will be provided covering works being carried out. New procedure will mean two officers overlooking.	JB	01/02/18
4.3.4	<i>The GIS system could be better utilised for the purpose of pinpointing exact location, particularly where the work is located within parkland areas.</i>	Medium	NO	New procedure will make this irrelevant as location will have been established and full description of works will be given in quote.		

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.3.5	<i>A column could be added to the existing handwritten purchase order form to show the source of each job requiring to be done.</i>	Medium	YES	Purchase request form will be amended to include source.	GB	01/03/18
4.3.6	<i>To comply with contract standing orders, purchase orders must be issued at the time of acceptance of any tender, Quick Quote or award of contract, the procuring department must issue a corresponding purchase order.</i>	Medium	YES	PO will only be issued after full quotation received.	JB	01/02/18
4.4.1	<i>Invoices should only be authorised for payment if the prices agree to rates as quoted in the tender.</i>	High	YES	Agree	JB	01/02/18
4.4.2	<i>Contractors should be requested to state the number of days for which they are charging the daily rate so it is clear how the total amount payable is calculated.</i>	Medium	YES	Quote should be obtained within 1 working day of commencement of emergency works.	JB	01/02/18
4.5.1	<i>Future contracts should make clear without any scope for difference of interpretation whether any charges for equipment will be allowed in addition to the daily rate or whether the daily rate must include every single piece of equipment required. If specialist equipment can be the subject of an additional charge, this should be provided by quote.</i>	Medium	YES	Additional costs must be approved at time of quote by senior officer. Future contracts will be written more clearly to cover this, including a schedule of rates for standard additional machinery. Non- standard	JB	As required

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				specialised equipment charges will need to be agreed with department.		
4.5.2	<i>Contractors within the current contract should be advised that no costs for specialist equipment additional to the daily rate will be paid unless this is agreed in writing in advance.</i>	Medium	YES	This will only be in place until this contract expires.	JB	
4.6.1	<i>Regular checks should be carried out by management to ensure that all work is being awarded to the correct contractors in compliance with framework or other contracts in place</i>	High	YES	Purchase request form will be altered to include a declaration that all procurement processes have been followed. Copy of amended request form will be sent to audit showing this has covered the recommendation. Spot checks will take place. Written procedures will be put in place/e-mail evidence to deal with refused work from Number 1 contractor.	GB	01/03/18

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.7.1	<i>A procedure should be established as to how other services of the Council can access the arboricultural framework.</i>	Low	YES	Guidance should be issued to other services within the council on tree work framework and how this can be accessed.	Director of Environment	TBC
4.8.1	<i>To ensure expenditure is correctly reflected in the ledger to assist budget monitoring, regular checks on a sample basis should be carried out to ensure that invoices are correctly coded.</i>	Low		N/A	Head of Accountancy	
4.9.1	<i>In accordance with the Council's Scheme of Travelling Expenses and Subsistence Allowances, officers authorising mileage claims should periodically formally check a claim to ensure that the mileage is reasonable using for example mileage calculators such as the one at the AA.com or on the council intranet.</i>	Low	YES	Authorising manager will require carrying out periodic spot checks.	JB	Ongoing
4.10.1	<i>All of the source documentation stating that work has been carried out should be retained.</i>	Medium	YES	Retain in digital/paper format	GB	Ongoing
4.11.1	<i>The special condition of contract requiring contractors to submit quarterly reports detailing all orders received should be complied with and reminders issued to contractors in the event of the information not being provided timeously.</i>	Low		N/A	Chief Officer - Legal	

East Renfrewshire Council Management report 2018/19



 AUDIT SCOTLAND

Prepared for East Renfrewshire Council

May 2019

BLANK PAGE

Audit findings

Introduction

1. This report contains a summary of the key issues identified during the interim audit work carried out at East Renfrewshire Council. This work included testing of key controls within financial systems to gain assurance over the processes and systems used in preparing the annual accounts. We will consider the results of this testing when determining our approach to the audit of the 2018/19 annual accounts.

2. Our responsibilities under the [Code of Audit Practice](#) require us to assess the system of internal control put in place by management. We seek to gain assurance that the audited body:

- has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements
- has systems of internal control which provide an adequate means of preventing and detecting error, fraud or corruption
- complies with established policies, procedures, laws and regulations.

Conclusion

3. No significant key control weaknesses were identified from our interim audit work. This will enable us to take planned assurance for our audit of the 2018/19 annual accounts. As summarised in [Exhibit 1](#) overleaf we did identify several areas where controls could be further strengthened.

4. Progress has been made actions agreed in our 2017/18 Management Report. However as noted in paragraphs 12-15, there are a number of areas raised in 2017/18 where progress has been limited.

Work summary

5. Our 2018/19 testing covered key controls in a number of areas including bank reconciliations, payroll validation and exception reporting, authorisation of journals, change of supplier bank details and IT access controls. Additionally, we tested controls in the following areas: budget monitoring and control; feeder system reconciliations and controls for preventing and detecting fraud in areas such as taxation receipts, welfare benefits, grants and other claims.



Bank reconciliations



Payroll controls



IT access



Budgets

6. In accordance with *ISA 330: the auditor's response to assessed risk*, our audit judgements are based on current year testing of controls and where appropriate prior year results. Our risk based audit approach allows us to take a three-year cyclical approach to controls testing. This approach enables us to place reliance on previous years' audit work where controls remain unchanged and no significant

weaknesses had been identified. Also, where possible we place reliance on the work of internal audit to avoid duplication of effort.

Internal Audit

7. We have completed our assessment of the council's internal audit function. This included a review of the range and quality of work carried out and consideration of the external assessment carried out against the Public Sector Internal Audit Standards. We have found that the internal audit function has sound documentation standards and reporting procedures in place and that it complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

8. In line with our 2018-19 Annual Audit Plan we have reviewed the following pieces of internal audit work to determine whether we could use them to avoid duplication of audit resource and effort, We have completed this review and concluded that there are no issues that prevent us from using this work as planned:

- Council Tax – Reductions/Liability
- Creditor payments
- Payroll

9. Progress has been made in the implementation of actions recommended on the way Internal Audit reports are being reported to the Audit and Scrutiny Committee. We will continue to monitor progress on the Audit and Scrutiny Committee's review of Internal Audit work.

Audit and Scrutiny Committee

10. We regularly attend the meetings of the Audit and Scrutiny Committee and two matters have come to our attention:

- We note from attending the Audit And Scrutiny Committee that some of the discussion between members can be adversarial along party political lines rather than being focussed on the remit and function of the Committee to seek assurance about the effective and efficient operation of systems and processes in place within the council.
- We also noted that officers of the council are not always present to answer scrutiny questions on reports presented to the Audit and Scrutiny Committee.

11. Both of these issues are having an adverse impact on the effectiveness of scrutiny by members.

[Exhibit 1: Action Plan 5](#)

Follow up of prior year issues

12. We have followed up progress made with the action plan agreed in our 2017/18 Management Report. Progress has been made against 3 out of the 6 actions agreed. Progress against the remaining actions is limited.

13. We reported in 2017/18 that there were £70,000 representing 120 payroll overpayments made due to late paperwork for leavers and other changes to staff conditions being received by payroll. As part of the 2018/19 payroll audit, Internal Audit have reported that there a high number of leavers forms not being completed by managers. In 2018/19, there was £45,000 comprising 142 payroll overpayments recorded with late paperwork being the reason. In addition, the key employee verification exercise which is undertaken annually by the council to ensure the validity of staff on the payroll, was not undertaken until mid March. The outcome of this exercise is still to be reviewed by officers and we will report any significant findings to members at a later date.

[Exhibit 1: Action Plan 6](#)

14. In 2016/17, the council had agreed that finance business partners would perform a 6 monthly review of all feeder reconciliations. We are remain satisfied that the reconciliations are being completed from the main systems, However, there remains a number of reconciliations which are not been being appropriately evidenced as being reviewed (payroll and rent allowances recorded in the ledger to the housing benefit system and main bank account). It is important that these reconciliations are reviewed to ensure that any differences are dealt with promptly and that the finance ledger reflects all transactions accurately at all times. In order to gain full assurance on the operation of the reconciliations, additional work will be required by ourselves to ensure that all year-end reconciliations are appropriately completed and that they do not contain large amounts of reconciling items or uncleared suspense account balances. This same matter was reported to you as part of our 2017-18 audit in our Management Report on 21 June 2018.

[Exhibit 1: Action Plan 2](#)

15. We reported in 2017/18 that there was no listing of originators from whom accountancy staff would accept Xcel uploader journals from. Management had agreed to implement a list of authorised journal originators and that this would be maintained by Accountancy. This authorised list has not yet been prepared.

[Exhibit1: Action Plan 3](#)

16. The contents of this report have been discussed with relevant officers to confirm factual accuracy. The co-operation and assistance we received during the course of our audit is gratefully acknowledged.

Key Findings

17. Our interim audit identified a number of opportunities to further strengthen existing controls and processes as detailed in [Exhibit 1](#) below. Where appropriate, we will use these findings to inform our approach to the financial statements audit.

18. Any weaknesses identified represent those that have come to our attention during the course of normal audit work and therefore are not necessarily all the weaknesses that may exist. It is the responsibility of management to decide on the extent of the internal control system appropriate to East Renfrewshire Council.

Exhibit 1 Key findings and action plan 2018/19

Issue identified	Management response	Responsible officer and target date
Audit findings		
1. Systems Access		
An annual review of systems access to payroll, ICON (cash receipting) and General Ledger is currently being completed by council officers. Annual access checks on Council tax, housing rents remain to be completed. Also, confirmation that employee declarations for all staff with supervisor access within the payroll/HR system, which allows data input into both payroll and HR access have yet to be provided. We will review the outcome of the system access reviews and	The systems access review should be complete by 31 July 2019. We will continue to carry out annual reviews as required once the new core systems have been implemented.	Head of Accountancy ICON/Payroll/ General Ledger 31 July 2019 & Annual
	The annual review of Council Tax system access has commenced and will be completed by 31 July 2019.	Senior Revenues Manager – Council Tax 31 July 2019

Issue identified	Management response	Responsible officer and target date
<p>assess the impact of the results on our planned audit approach.</p> <p>There is an increased risk of fraud occurring due to staff having inappropriate access to key financial systems.</p>	<p>OHMS annual access check will be completed by end June 2019.</p> <p>The employee declarations for all staff with payroll/HR supervisor access are being reviewed with the recent changes to the teams (due to secondments & retirements) and will be provided.</p>	<p>Principal Officer Tenant Management and Customer Co-ordinator Housing Rents (OHMS)</p> <p>30 June 2019</p> <p>Head of HR and Corporate Services (HR)</p> <p>31 July 2019</p>
<p>2. Main Ledger: Feeder reconciliations</p> <p>A significant amount of the data in the finance ledger is derived from the system feeders. While reconciliations between the ledger and the feeder systems are undertaken, we found evidence that reconciliations are not always evidenced as having been reviewed by senior managers and the relevant finance business partner.</p> <p>There is a risk that the finance ledger does not accurately reflect the full financial data from the feeders and the financial statements are mis-stated.</p>	<p>Senior managers and Finance Business Partners will be reminded to evidence review of feeder reconciliations.</p>	<p>Head of Accountancy</p> <p>30 June 2019</p>
<p>3. Main Ledger: Journal uploads</p> <p>A control log for journals which are uploaded through Xcel uploader is maintained by accountancy staff. The control log shows the name of the originator of the journal and states who processed the journal. However, there is no listing of originators that accountancy staff will accept journals from.</p> <p>There is a risk that staff upload journals prepared by staff who are unaware of accounting or budgeting requirements.</p>	<p>Accountancy staff check all journals prior to upload to mitigate the risk of errors in journals prepared by non accountancy staff.</p> <p>In moving to the new financial system later in 2019/20 processes for journal approvals/uploads will be further reviewed and confirmation of authorised originators considered.</p>	<p>Head of Accountancy</p> <p>December 2019</p>
<p>Audit dimensions – issues and risks</p>		
<p>4. Non-Domestic Rates</p> <p>The Service Level Agreement for the billing and collection of Non-Domestic Rates with Renfrewshire Council is currently out of date. Members recently approved an extension to this contract without competition, however</p>	<p>The Service Level Agreement which is in place has been under review. It has been updated and content discussed with legal. It will be finalised and signed with Renfrewshire Council by 30 June 2019.</p>	<p>Senior Revenue Manager</p> <p>30 June 2019</p>

Issue identified	Management response	Responsible officer and target date
<p>the report to members did not report the value of this contract (approximately £60,000 pa). This is an omission which would have allowed members to make a more informed decision of the future of the contract.</p> <p>There is a risk that the services for billing and collection of Non-Domestic rates is currently without a service level agreement with the provider.</p>		
<p>5. Audit and Scrutiny Committee</p> <p>Discussion between members can be adversarial along party political lines rather than being focussed on the remit and function of the Committee to seek assurance about the effective and efficient operation of systems and processes in place within the council. We also noted that officers of the council are not always present to answer scrutiny questions on reports presented to the Audit and Scrutiny Committee</p> <p>There is a risk that scrutiny and challenge the Audit and Scrutiny Committee is not effective.</p>	<p>Arising from the recommendations in the Best Value audit Report, a temporary member of staff has been appointed to support the Clerk/committee.</p> <p>Early work already carried out since the appointment has been the development of a Guide to Scrutiny and Review, the purpose of which will be to assist Members in performing their scrutiny role.</p> <p>The draft guide which will be a resource available to all Members, will be presented to the Audit & Scrutiny Committee for consideration at its meeting on 20 June and thereafter presented to the full Council for consideration on 26 June. In addition the Head of Accountancy now acts as Advisor to the Committee and attends all meetings.</p> <p>Committee procedure in relation to officer attendance at meetings is that officers will attend for in depth questioning at the committee's request. This ensures that officers have the opportunity to be fully briefed and prepared to answer any questions from the committee when they attend. This is considered to enhance efficiency and effectiveness as committee and officer time can be scheduled appropriately.</p>	<p>Democratic Services Manager</p> <p>30 June 2019</p>
<p>6. Staff Leavers</p> <p>As we reported in 2017/18 and by Internal audit in 2018/19, there remains delays by the line managers in notifying payroll of employees leaving the council or changing terms and conditions. A review of 2018/19 payroll overpayments reveals that £45,000 or 142 cases of overpayments identified in year relate to late documentation being received by payroll. In addition, the annual employee verification review has been delayed with the results currently being reviewed by officers</p>	<p>As mentioned many of the late payments relate to receipt of late documentation to Payroll. To increase awareness about the need to inform payroll there is a monthly reminder email sent to all managers asking for them to notify HR/Payroll of any changes e.g. leavers, contract changes.</p> <p>A communication will be sent to Leadership Group reminding managers of their responsibility and highlighting the level of overpayment.</p>	<p>Head of HR & Corporate Services (Monthly)</p> <p>31 July 2019</p>

Issue identified	Management response	Responsible officer and target date
<p>There is a risk that staff leaving the council may be overpaid.</p>		
<p>7. Staff Capacity</p> <p>From discussion with officers during the completion of our interim testing, issues have been raised in relation to the ongoing capacity of staff within their current roles. It was noted that a number of annual verification processes such employee existence checks have been delayed and remain incompleted to date.</p> <p>There is a risk that the current and extra demand on resources could place further pressures on staff capacity</p>	<p>Ongoing demand pressures on Councils coinciding with budget constraints and transformation initiatives are recognised by the Corporate Management Team. Service performance and key project progress are monitored 6 monthly and monthly respectively and, where required, additional resources can be applied (e.g. use of Modernisation Fund to cover costs of Core Systems project staff secondments).</p> <p>The case cited of employee checks arose from exceptional circumstances – secondment of experienced staff to the Core Systems project coincided with the delayed national pay award for both LGE and teaching staff causing a delay in issuing the annual verification process for employees. This will be completed in July. This is considered a reduced risk as since the introduction of this check managers have visibility of their employee details through myinsider. The introduction of the new Core System with updated hierarchy will allow for closer governance in this area and future checks will be redesigned. (Mar 2020)</p>	<p>CMT (6 monthly & monthly)</p> <p>Head of HR & Corporate Services</p> <p>31 July 2019</p> <p>31 March 2020</p>
<p>7. Standing Orders</p> <p>The Standing Orders for the operation of council business have not been reviewed since 2013.</p> <p>There is a risk that the council's Standing Orders do not reflect current committees, posts or member requirements on attendance.</p>	<p>The Council's Standing Orders (SO No.53) state that the Council shall review its Standing Orders at least once in its lifetime.</p> <p>A Standing Orders Review group has been established and met, and a revised set of Standing Orders have now been drafted.</p> <p>These will be presented to the full Council following the summer recess.</p> <p>Matters in relation to number and composition of committees are dealt with in the Scheme of Administration, and any reference in the Standing Orders to attendance at meetings is in accordance with legislative provisions and therefore will not be amended in the revised Standing Orders</p>	<p>Democratic Services Manager</p> <p>October 2019</p>
<p>8. Fraud Policy & staff awareness</p> <p>The anti-fraud policy and the whistleblowing policy has not been reviewed since February 2015. In addition, no information could be found in relation to raising staff awareness of current fraud arrangements</p> <p>There is a risk that this document is out of date and does not reflect current posts or officer requirements on attendance.</p>	<p>The Anti-Fraud and Bribery Strategy and the Whistleblowing Policy have recently been reviewed and will be submitted to the Corporate Management Team in June 2019. Once approved, a staff awareness campaign will then follow.</p>	<p>Chief Executive Business Manager/ Policy and Employment Law Advisor</p> <p>31 August 2019</p>

Source: Audit Scotland

19. All our outputs and any matters of public interest will be published on our website: www.audit-scotland.gov.uk.

East Renfrewshire Council

Management Report 2018/19

If you require this publication in an alternative format and/or language, please contact us to discuss your needs: 0131 625 1500 or info@audit-scotland.gov.uk

For the latest news, reports and updates, follow us on:



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
T: 0131 625 1500 E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

20 June 2019

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT

LOCAL GOVERNMENT IN SCOTLAND – CHALLENGES AND PERFORMANCE 2019

1. To provide information on the Audit Scotland report *Local Government in Scotland – Challenges and Performance 2019*.

RECOMMENDATION

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

BACKGROUND

3. A copy of the Audit Scotland report [Local Government in Scotland - Challenges and Performance 2019](#) published in March 2019, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members leading the review of this particular report are Councillor Miller and Councillor Grant. The Head of Communities, Revenues and Change has provided comments on it and a copy of the feedback provided is attached (see Appendix A).

RECOMMENDATION

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

Local Government Access to Information Act 1985

Report Author: Linda Hutchison, Clerk to the Committee (Tel.No.0141 577 8388)

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

Background Papers:-

1. Audit Scotland report *Local Government in Scotland – Challenges and Performance 2019*

BLANK PAGE

National External Audit Report: Local Government in Scotland –
Challenges & Performance 2019

Comments for Audit & Scrutiny Committee on 20 June 2019

Prepared by Head of Communities, Revenues & Change

June 2019

INTRODUCTION

1. This paper aims to provide high level comments on the Council's position regarding the Accounts Commission report "Local Government in Scotland – Challenges & Performance 2019".

COMMENTS

2. In March 2019 the Accounts Commission published the above paper which is an annual report giving an overview of the conclusions of a range of Audit Scotland reports from the past year, drawing these together into a comprehensive review of the challenges and performance issues facing local government in Scotland.

3. This is a particularly useful Accounts Commission report and links well to the Council's requirements under Best Value. The issues outlined in the report are ones that East Renfrewshire Council fully recognises and is working to address. The recommendations include:

- Developing leadership and management capacity to enable us to respond to challenging local and national demands
- Undertaking long-term financial planning to ensure delivery of key national commitments, balanced with local service delivery in the context of reducing budgets and increasing demand
- Continuing to work in different ways and through collaboration to drive transformation
- Improving data to inform decisions and benchmarking
- Ensuring our workforce plan prepares us for the future
- Demonstrating that our spend impacts service delivery and outcomes.

4. There is challenge in responding to a report as wide-ranging as this. The content and messages all have relevance locally. There has been good coverage across all key areas for councillors over the last year (e.g. through consideration at Cabinet and Committees and via Information and Consultation Sessions). The Audit and Scrutiny Committee has also considered many of these topics as part of its own work programme. See Annex 1 for a list of local reports and web content which give more detail on key themes from the report. Of particular note are the recent reports on the Outcome Delivery Plan (ODP); our Best Value Assurance Plan; the Modern, Ambitious Programme (MAP); Financial Planning; Capital Investment; Strategic Risk; our Workforce Plan; Equality and the Local Government Benchmarking Framework.

5. In addition, Annex 2 shows a summary of the Council's 'Strategy on a Page' which was revised late in 2018 and reported to Council in October as part of a wider paper on Strategic Planning.

6. Of further relevance is a draft PEST analysis documenting key Political, Economic, Social and Technological themes that will affect East Renfrewshire Council over the next number of years (Annex 3). These fit well with the issues raised in the Accounts Commission report and will be further refined and used to inform our 10 year Vision for the Future, which we aim to publish in 2020. At the Council meeting in May 2019, elected members were invited to consider the draft long-term vision and contribute to its development over the next period. The themes raised in the Accounts Commissions Challenges and Performance report can be used as a useful checkpoint for this vision.

CONCLUSION

7. East Renfrewshire Council fully recognises the challenges outlined in the Accounts Commission's Local Government in Scotland – Challenges & Performance report for 2019. We are not complacent and are working to address these pertinent issues through the approaches and activities highlighted in this report. We believe that the coverage of key issues throughout the year as part of day-to-day business provides strong evidence and gives assurance that East Renfrewshire Council is well positioned across the wide range of issues highlighted.

8. It is suggested that the Audit and Scrutiny Committee considers this Accounts Commission report and the issues and themes therein as part of its annual work programme to guide areas where the Committee would find value in a more detailed response to enable further discussion and scrutiny.

Comments from:-

Louise Pringle, Head of Communities, Revenues & Change

3 June 2019

ANNEX 1 – RELATED REPORTS

To be added when available

- Strategic End-Year Performance Report 2018/19, due at Council 26 June 2019 **
- Local Child Poverty Action Plan, due at Council 26 June 2019 **
- Code of Corporate Governance, Audit & Scrutiny Committee 20 June 2019 **
- Review of Strategic Risk Register & Risk Management Progress, Cabinet 6 June 2019 **
- Property Asset Management Plan 2019-21, Cabinet 6 June 2019 **
- [Draft Outcome Delivery Plan 2019-22](#), Cabinet 2 May 2019
- [Glasgow City Region - City Deal Update](#), Cabinet 2 May 2019
- [Vision for the Future](#), Council on 1 May 2019
- [Best Value Assurance Report Action Plan Update](#), Cabinet 25 April 2019
- [Update on Modern Ambitious Programme](#), Cabinet 25 April 2019
- [Progress on the Council's Equality & Human Rights Programme](#), Cabinet 25 April 2019
- [National External Audit Report - Financial Overview 2017/18](#), Audit & Scrutiny Committee 14 March 2019
- [Review of Strategic Risk Register & Risk Management Progress](#), Audit & Scrutiny Committee 14 March 2019
- [LGBF Benchmarking Framework - 2017/18](#), Cabinet 14 March 2019
- [Trading Under Best Value](#), Cabinet 14 March 2019
- [Financial Planning 2019-2025](#), Council 28 February 2019
- [Capital Investment Strategy](#), Council 28 February 2019
- [National External Audit Report - Withdrawal from the European Unions](#), Audit & Scrutiny Committee, 21 February 2019
- [Scottish Welfare Fund Update](#), Cabinet 14 February 2019
- [Community Learning and Development Plan 2018-21](#), Cabinet 6 December 2018
- [Strategic Mid-Year Council Performance Report 2018-19](#), Cabinet 6 December 2018
- Charging for Services 2019/20, Cabinet 29 November 2018:
 - [Charging for Services 2019/20 - Chief Executive's Office](#)
 - [Charging for Services 2019/20 - Corporate & Community Services](#)
 - [Charging for Services 2019/20 - Education](#)
 - [Charging for Services 2019/20 - Environment](#)
 - [Charging for Services 2019/20 - HSCP](#)
- [Strategic Planning](#), Council 31 October 2018
- [Glasgow City Region - City Deal Update](#), Council 31 October 2018
- [Chief Social Worker Annual Report 2017/18](#), Council 31 October 2018
- [Annual Procurement Report](#), Cabinet 25 October 2018
- [Local Governance Review](#), Council 12 Sept 2018
- [Health & Social Care Partnership Annual Performance Report 2017/18](#), Council 12 Sept 2018
- [National External Audit Report - Local Govt in Scotland – Challenges & Performance 2018](#), Audit & Scrutiny Committee 16 August 2018
- [National External Audit Report - Council's Use of ALEOs](#), Audit & Scrutiny Committee 16 August 2018
- [Annual Efficiency Statement 2017/18](#), Cabinet 16 August 2018
- [Draft Outcome Delivery Plan 2018-21](#), Council 27 June 2018
- [Update on MAP & Digital Strategy](#), Council 27 June 2018
- [Strategic End Year Performance Report 2017/18](#), Council 27 June 2018
- [Code of Corporate Governance](#), Audit & Scrutiny Committee 21 June 2018
- [ERC Workforce Plan 2018-2021](#), Cabinet 21 June 2018
- [National External Audit Report - Early Learning & Childcare](#), Audit & Scrutiny Committee 21 June 2018
- [East Renfrewshire Community Plan including Fairer East Ren](#), Council 9 May 2018

Useful Web Links:

<https://www.eastrenfrewshire.gov.uk/planningforthefuture>

<https://www.eastrenfrewshire.gov.uk/have-your-say>

<https://www.eastrenfrewshire.gov.uk/article/10094/Residents-decide-how-to-spend-100000-in-their-communities>

<https://www.eastrenfrewshire.gov.uk/performance>

ANNEX 2 – EAST RENFREWSHIRE COUNCIL’S STRATEGY ON A PAGE



BLANK PAGE

ANNEX 3 – DRAFT PEST ANALYSIS

POLITICAL

- Policy & Legislative change incl.
 - EU Withdrawal
 - Scotland's new financial & social security powers (inc. tax, Council Tax etc)
 - Barclay – Non-Domestic Rates
 - Fairer Scotland Act
 - Local Outcome Improvement Plans
 - National Performance Framework
 - Environmental legislation
 - City Region & Growth Deals
 - Transport & Planning Bills
 - Education reform – empowerment & school autonomy; children's rights and expectations
 - Additional Support for Learning – presumption of mainstream = pressure on provision
 - Early learning & childcare
 - Child Poverty Act

- Enterprise & Skills review
- Community empowerment Act – community assets, community engagement, participatory budgets
- Named person provision
- Health & Social Care integration
- Gender Recognition Act – review
- Employment law, incl. pension reform
- Local Governance review
- Electoral change
- Scenarios re: Independence – impact on £
- Alternative delivery models for services
- Different models of local govt; potential impact of reorganisation – geography & responsibility?
- Trends in centralisation vs localism
- Ringfencing of funding
- Welfare reform
- Regional partnerships eg education collaborative, City deal/enterprise, transport,

ECONOMIC

- Scottish budget variability predicted to increase
- Growing dependence on Council Tax (or replacement)
- Worldwide factors affecting growth of economy
- Interest & exchange rates
- Recession/lower economic growth in the UK
- Increasing unemployment levels with impact on welfare spend
- Productivity – link to City Region deals & investment in skills & Capital
- Low rate of new businesses
- Environmental & local economic sustainability (e.g. buy local vs online)
- Govt. adoption of virtual currencies (e.g. Blockchain) – volatile until more established
- Age distribution – shrinking working age population
- Lack of savings culture = issues at retirement
- Prevalence of short term / temporary / freelance / casual / zero hours contracts vs permanent jobs

- Changing expectations - flexibility, working conditions
- Skills
 - Technology impact on jobs (Artificial Intelligence / robotics etc) – some studies say 30-40% of UK jobs at risk of computerisation
 - How to attract to jobs that will still be needed (e.g. caring)?
 - Supply vs demand for emerging skills areas = increasing cost
 - Outward migration
- Impact of pandemics/animal to human infections diseases (e.g. avian influenza)
- Impact of climate change – potential for increasing weather issues meaning challenges for services & community resilience/recovery
- Food supply chain risks
- Impact of industrial action either on our own workforce or on our supply chain (e.g. fuel, partner agency suppliers)

SOCIAL

- Growing population & age distribution
- Diversity & new regulations (incl. gender identity)
- Household types
 - Smaller family units
 - Additional needs (issues for provision age 18+years)
 - Single person households
- Health & wellbeing/wellness
- Isolation & loneliness
- Mental health
- Poverty & hardship
- Loss of sense of community & shifts in social cohesion due to rising inequality, imbalances in economic opportunity & diversity in society
- Socio-economic disparities in participation in culture & sport

- Customer demands – rising expectations of response – speed, choice, personalised, value-add
- 24/7 expectations & behaviours
- Community empowerment
- Trust of institutions
- Older people may have less money than previous generations & may make different choices
- Move from buying to renting housing?
- Land-supply/ownership issues
- Extreme behaviours/lack of tolerance (perhaps facilitated by social media – easy to mobilise)
- Change in way citizenship is perceived; rising entitlement culture; decreasing responsibility & resilience?
- UK National security threat levels – local issues given diverse communities

TECHNOLOGICAL

- Digital technology opportunities
 - Efficiency gains through process automation
 - Machine learning, robotics & artificial intelligence may revolutionise working practices & help identify the needs of community & individual
 - Autonomous vehicles - opportunities for safety, mobility, traffic flow, jobs but issues for jobs, liability & insurance, infrastructure, security but risk of misuse
 - 'Big data' - extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions – need for strong master data management.
- 5G connectivity - potential to enable more efficient service delivery
- Biotech advances may bring opportunities for preventative medicine, lifestyle & longevity
- Digital inclusion issues for those less able or confident to interact with digital solutions

- Increasing risks of cyber attack/security threats to critical systems/infrastructure
- Business continuity challenges from increasingly digitised services
- Risk of significant power outage nationally & impact on services
- Social media – powerful interaction tool vs. rising expectations and lack of control
- Skills & workforce trends
- Data & insight vs privacy & security concerns
- Increased illness through resistance to antibiotics
- Increase in numbers living with long-term conditions due to technological advances e.g. cancer and dementia – issues for service provision
- Communication aids e.g. translation, interpretation & non-verbal communication
- Growth of technologies to address climate change eg windfarms, electric vehicles,
- Growing use of technology impacting communication & social patterns & time available for physical activity

BLANK PAGE

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE20 June 2019Report by ClerkNATIONAL EXTERNAL AUDIT REPORTHEALTH AND SOCIAL CARE INTEGRATION – UPDATE ON PROGRESS

1. To provide information on the Audit Scotland report *Health and Social Care Integration – Update on Progress*.

RECOMMENDATION

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

BACKGROUND

3. A copy of the Audit Scotland report [Health and Social Care Integration - Update on Progress](#), published in November 2018, has already been circulated to all Audit and Scrutiny Committee Members. Under the Committee's specialisation arrangements, the Members leading the review of this particular report are Provost Fletcher and Councillor Gilbert. The Chief Officer, East Renfrewshire Integration Joint Board, has provided comments on it and a copy of the feedback provided is attached (see Appendix A).

RECOMMENDATION

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

Local Government Access to Information Act 1985

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

Background Papers:-

1. Audit Scotland report *Health and Social Care Integration – Update on Progress*.

BLANK PAGE

EAST RENFREWSHIRE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****20 June 2019****Report by Chief Officer, East Renfrewshire Integration Joint Board****REVIEW OF PROGRESS WITH INTEGRATION OF HEALTH AND SOCIAL CARE****PURPOSE OF REPORT**

1. The purpose of this report is to give the Audit and Scrutiny Committee details of the proposed actions in response to the *Audit Scotland report on progress of health and social care integration* and the Ministerial Strategic Group report *Review of Progress with Integration of Health and Social Care Final Report*. The proposed actions are detailed in Appendix 1.

RECOMMENDATION

2. Audit and Scrutiny Committee is asked to note and comment upon the report.

BACKGROUND

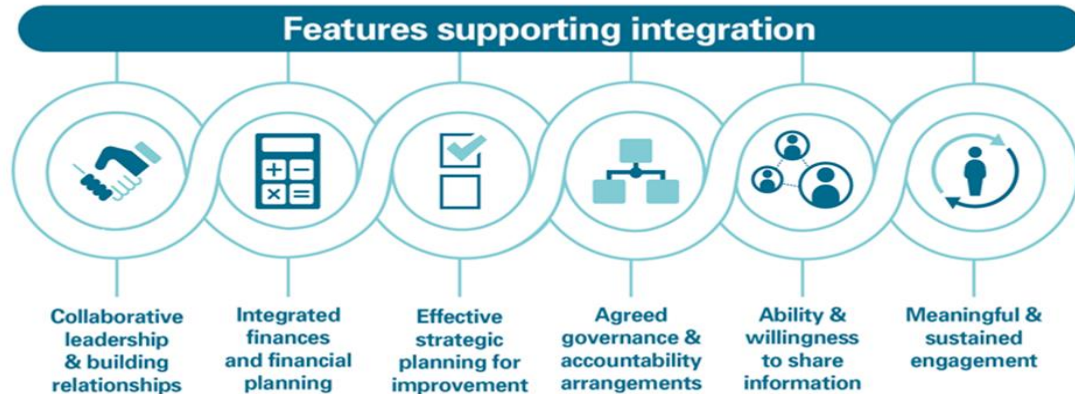
3. At a health debate in the Scottish Parliament on 2 May 2018, the then Cabinet Secretary for Health and Sport undertook that a review of progress by Integration Authorities would be taken forward with the Ministerial Strategic Group for Health and Community Care, and that outputs arising from any further action stemming from such a review would be shared with the Health and Sport Committee of the Scottish Parliament.
4. The Ministerial Strategic Group agreed in June 2018 that a review would be taken forward via a small “leadership” group of senior officers chaired by Paul Gray, Director General Health and Social Care and Chief Executive of NHS Scotland and Sally Loudon, Chief Executive of COSLA. The group produced its report *Review of Progress with Integration of Health and Social Care Final Report* in February 2019.
5. In undertaking their review, the Ministerial Strategic Group built upon Audit Scotland’s observation that integration can work within the current legislative framework, but that Integration Authorities are operating in an extremely challenging environment and there is much more to be done. The Ministerial Strategic Group also set out their proposals under the same six headings used in the Audit Scotland report.
6. The Audit Scotland report on progress of health and social care integration published on 15 November 2018 found that whilst some improvements have been made to the delivery of health and social care services, Integration Authorities, Councils and NHS Boards need to show a stronger commitment to collaborative working to achieve the real long term benefits of an integrated system. They noted that it would not be possible for

one organisation to address all the issues raised in their report. If integration is to make a meaningful difference to the people of Scotland, Integration Authorities, Councils, NHS boards, the Scottish Government and COSLA need to work together to address the six areas that support integration and their report contains a series of recommendations linked to these.

Exhibit 7

Features central to the success of integration

Six areas must be addressed if integration is to make a meaningful difference to the people of Scotland.



Source: Audit Scotland

REPORT

7. The Scottish Government and COSLA developed a self-evaluation tool to support Integration Joint Board's and partners to assess their position in relation to the review proposals and Audit Scotland recommendations.
8. In completing the self-evaluation, partners were asked to rate themselves against 22 of the 25 proposals and identify evidence to support the conclusions. Partners were also asked to identify proposed improvement actions in respect of each proposal.
9. The draft self-evaluation was developed by the IJB Chief Officer following discussion with the IJB Chair, Vice-Chair, Third Sector and Carer representatives and Chief Financial Officer prior to being shared with the wider Integration Joint Board at its meeting on 1st May 2019.
10. Integration Joint Board members endorsed the draft self-evaluation subject to additional comments and agreed that it be remitted to the Chief Officer to reach a consensus view on the evaluation ratings and any improvement actions with the Chief Executives of NHSGGC and East Renfrewshire Council prior to submission to the Integration Review Leadership Group. Following agreement with the Chief Executive of East Renfrewshire Council and the Chief Executive of NHS Greater Glasgow and Clyde, the final draft was submitted on 14 May 2019.

CONCLUSIONS

11. Audit Scotland found that the pace and effectiveness of integration needs to increase. The review of progress with integration of health and social care makes a number of helpful proposals about the actions that can be taken at national and local level to tackle the challenges and ensuring the success of integration.
12. The actions required for East Renfrewshire to address the recommendations and proposals resulting from the Audit Scotland report and the Ministerial Strategic Group report are set out in Appendix 1.

RECOMMENDATIONS

13. Audit and Scrutiny Committee is asked to note and comment upon the report.

REPORT AUTHOR AND PERSON TO CONTACT

Chief Officer, IJB: Julie Murray

BACKGROUND PAPERS

Ministerial Strategic Group for Health and Community Care, Review of Progress with Integration of Health and Social Care
Final Report

Audit Scotland Report: Health and social care integration: update on progress
<http://www.audit-scotland.gov.uk/report/health-and-social-care-integration-update-on-progress>

IJB Paper: 30.01.2019 – Item 9. Audit Scotland Report: Health and social care integration: update on progress
<http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23708&p=0>

IJB Paper: 20.03.2019 – Item 12: Review of progress with integration
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24050&p=0>

IJB Paper: 01.05.2019 – Item 15: MSG Self Evaluation
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24370&p=0>

BLANK PAGE

Audit Scotland Recommendation	MSG Proposal	Timescale	Proposed Improvement Action
1. Collaborative leadership and building relationships			
<p>The Scottish Government and COSLA should:</p> <ul style="list-style-type: none"> ensure that there is appropriate leadership capacity in place to support integration increase opportunities for joint leadership development across the health and care system to help leaders to work more collaboratively. 	<p>1.(i) All leadership development will be focused on shared and collaborative practice. An audit of existing national leadership programmes will be undertaken by the Scottish Government and COSLA to identify gaps and areas of synergy to support integration of health and social care. Further work will be delivered on cross-sectoral leadership development and support.</p>	6 months	To collaborate across all six Councils, HSCPs and the Health Board to develop some shared learning and development as a consequence of this self-evaluation.
	<p>1. (ii) Relationships and collaborative working between partners must improve. Statutory partners in particular must seek to ensure an improved understanding of pressures, cultures and drivers in different parts of the system in order to promote opportunities for more open, collaborative and partnership working, as required by integration.</p>	12 months	To create more opportunities to improve the visibility of financial pressures across the Council and NHS Board to improve shared understanding of future challenges.
	<p>1. (iii) Relationships and partnership working with the third and independent sectors must improve. Each partnership will critically evaluate the effectiveness of their working arrangements and relationships with colleagues in the third and independent sectors, and take action to address any issues.</p>	12 months	The HSCP will further develop relationships with neighbourhood and community groups.
2. Integrated finances and financial planning			
<p>The Scottish Government should:</p> <ul style="list-style-type: none"> commit to continued additional pump-priming funds to facilitate local priorities and new ways of working which progress integration. <p>The Scottish Government and COSLA should:</p> <ul style="list-style-type: none"> urgently resolve difficulties with the 'set-aside' aspect of the Act. 	<p>2. (i) Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration. In each partnership area the Chief Executive of the Health Board and the Local Authority, and the Chief Officer of the IJB, while considering the service impact of decisions, should together request consolidated advice on the financial position as it applies to their shared interests under integration from, respectively, the NHS Director of Finance, the Local Authority S95 Officer and the IJB S95 Officer.</p>	By 1 st April 2019 and thereafter each year by end March.	Establish a tri partite discussion on the respective financial plans of parent bodies and implications for the IJB.

<ul style="list-style-type: none"> ▪ The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to: ▪ support integrated financial management by developing a longer-term and more integrated approach to financial planning at both a national and local level. All partners should have greater flexibility in planning and investing over the medium to longer term to achieve the aim of delivering more community-based care. 	<p>2. (ii) Delegated budgets for IJBs must be agreed timeously. The recently published financial framework for health and social care sets out an expectation of moving away from annual budget planning processes towards more medium term arrangements. To support this requirement for planning ahead by Integration Authorities, a requirement should be placed upon statutory partners that all delegated budgets should be agreed by the Health Board, Local Authority and IJB by the end of March each year.</p>	<p>By end of March 2019 and thereafter each year by end March</p>	<p>For the Health Board to make a formal budget offer before the end of March at the conclusion of a process which enables discussion about IJB demographic and other pressures.</p>
<p>Integration Authorities, councils and NHS boards should work together to:</p> <ul style="list-style-type: none"> ▪ view their finances as a collective resource for health and social care to provide the best possible outcomes for people who need support. 	<p>2. (iii) Delegated hospital budgets and set aside requirements must be fully implemented. Each Health Board, in partnership with the Local Authority and IJB, must fully implement the delegated hospital budget and set aside budget requirements of the legislation, in line with the statutory guidance published in June 2015. These arrangements must be in place in time for Integration Authorities to plan their use of their budgets in 2019/20. The Scottish Government Medium Term Financial Framework includes an assumption of efficiencies from reduced variation in hospital care coupled with 50% reinvestment in the community to sustain improvement. The set aside arrangements are key to delivering this commitment.</p>	<p>6 months</p>	<p>The Health Board will obtain 2018/19 activity data and finalise budget and actual costs by June 2019 with a view to developing and agreeing a model for allocation of set aside budgets by the end of July. The HSCP will identify commissioning intentions and capacity requirements thereafter, learning from a test of change planned around the GRI.</p>
	<p>2. (iv) Each IJB must develop a transparent and prudent reserves policy. This policy will ensure that reserves are identified for a purpose and held against planned expenditure, with timescales identified for their use, or held as a general reserve as a contingency to cushion the impact of unexpected events or emergencies. Reserves must not be built up unnecessarily.</p>	<p>3 months</p>	<p>The IJB will continue to review the level of general reserve.</p>
	<p>2. (v) Statutory partners must ensure appropriate support is provided to IJB S95 Officers. This will include Health Boards and Local Authorities providing staff and resources to provide such support. Measures must be in place to ensure conflicts of interest for IJB S95 Officers are avoided – their role is to provide high quality financial support to the IJB. To ensure a consistent approach across the country, the existing statutory guidance should be amended by removing the last</p>	<p>6 months</p>	<p>To develop a fully integrated finance role as HSCP Accountants, whilst in the same team, are responsible currently for either NHS or Council reporting.</p>

	<p>line in paragraph 4.3 recommendation 2, leaving the requirement for such support as follows: <i>It is recommended that the Health Board and Local Authority Directors of Finance and the Integration Joint Board financial officer establish a process of regular in-year reporting and forecasting to provide the Chief Officer with management accounts for both arms of the operational budget and for the Integration Joint Board as a whole. It is also recommended that each partnership area moves to a model where both the strategic and operational finance functions are undertaken by the IJB S95 officer: and that these functions are sufficiently resourced to provide effective financial support to the Chief Officer and the IJB.</i></p>		
	<p>2. (vi) IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations. Local audits of the Health Board and Local Authority must take account of the expectation that money will be spent differently. We should be focused on outcomes, not which public body put in which pound to the pot. It is key that the resources held by IJBs lose their original identity and become a single budget on an ongoing basis. This does not take away from the need for the IJB to be accountable for these resources and their use.</p>	<p>from 31st March 2019 onwards.</p>	<p>IJB will ensure investment is directed to priority areas regardless of source.</p>
<p>3. Effective strategic planning for improvement</p>			
<p>Integration Authorities, councils and NHS boards should work together to:</p> <ul style="list-style-type: none"> ▪ ensure operational plans, including workforce, IT and organisational change plans across the system, are clearly aligned to the strategic priorities of the IA ▪ monitor and report on Best Value in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. 	<p>3. (i) Statutory partners must ensure that Chief Officers are effectively supported and empowered to act on behalf of the IJB. This will include Health Boards and Local Authorities providing staff and resources to provide such support. The dual role of the Chief Officer makes it both challenging and complex, with competing demands between statutory delivery partners and the business of the IJB. Chief Officers must be recognised as pivotal in providing the leadership needed to make a success of integration and should be recruited, valued and accorded due status by statutory partners in order that they are able to properly fulfil this “mission critical” role. Consideration must be made of the capacity and capability of Chief Officers and their senior</p>	<p>12 months</p>	<p>-</p>

<p>The Scottish Government should:</p> <ul style="list-style-type: none"> ensure that there is a consistent commitment to integration across government departments 	<p>teams to support the partnership's range of responsibilities.</p>		
	<p>3. (ii) Improved strategic inspection of health and social care is developed to better reflect integration. As part of this work, the Care Inspectorate and Healthcare Improvement Scotland will ensure that:</p> <ul style="list-style-type: none"> As well as scrutinising strategic planning and commissioning processes, strategic inspections are fundamentally focused on what integrated arrangements are achieving in terms of outcomes for people. Joint strategic inspections examine the performance of the whole partnership – the Health Board, Local Authority and IJB, and the contribution of non-statutory partners – to integrated arrangements, individually and as a partnership. There is a more balanced focus across health and social care ensured in strategic inspections. 	6 months	NO LOCAL ACTION - NATIONAL BODIES RESPONSIBLE
	<p>3. (iii) National improvement bodies must work more collaboratively and deliver the improvement support partnerships require to make integration work. These bodies include Healthcare Improvement Scotland, the Care Inspectorate, the Improvement Service and NHS National Services Scotland. Improvement support will be more streamlined, better targeted and focused on assisting partnerships to implement our proposals. This will include consideration of the models for delivery of improvement support at a national and local level and a requirement to better meet the needs of integration partners.</p>	3 - 6 months	NO LOCAL ACTION - NATIONAL BODIES RESPONSIBLE
	<p>3. (iv) Improved strategic planning and commissioning arrangements must be put in place. Partnerships should critically analyse and evaluate the effectiveness of their strategic planning and commissioning arrangements, including establishing capacity and capability for this. Local Authorities and Health Boards will ensure support is provided for strategic planning and commissioning, including staffing and resourcing for the partnership, recognising this as a key responsibility of Integration Authorities.</p>	12 months	<p>The IJB will develop its commissioning plan to further support a market facilitation approach.</p> <p>The HSCP will translate the IJB's Strategic Plan into operational plans that support the delivery of quality service</p>
	<p>3. (v) Improved capacity for strategic commissioning of</p>	12 months	The IJB will review commissioning capacity

	<p>delegated hospital services must be in place. As implementation of proposal 2 (iii) takes place, a necessary step in achieving full delegation of the delegated hospital budget and set aside arrangements will be the development of strategic commissioning for this purpose. This will focus on planning delegated hospital capacity requirements and will require close working with the acute sector and other partnership areas using the same hospitals. This should evolve from existing capacity and plans for those services.</p>		as set aside budgets become fully integrated and devolved.
4. Governance and accountability arrangements			
<p>The Scottish Government and COSLA should:</p> <ul style="list-style-type: none"> ▪ support councillors and NHS board members who are also Integration Joint Board members to understand, manage and reduce potential conflicts with other roles. ▪ The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to: ▪ agree local responsibility and accountability arrangements where there is disagreement over interpretation of the Public Bodies (Joint Working) (Scotland) Act 2014 and its underpinning principles. Scenarios or examples of how the Act should be implemented should be used which are specific to local concerns. There is sufficient scope within existing legislation to allow this to happen. 	<p>4. (i) The understanding of accountabilities and responsibilities between statutory partners must improve. The responsibility for decisions about the planning and strategic commissioning of all health and social care functions that have been delegated to the IJB sits wholly with the IJB as a statutory public body. Such decisions do not require ratification by the Health Board or the Local Authority, both of which are represented on the IJB. Statutory partners should ensure duplication is avoided and arrangements previously in place for making decisions are reviewed to ensure there is clarity about the decision making responsibilities of the IJB and that decisions are made where responsibility resides. Existing committees and groups should be refocused to share information and support the IJB.</p>	6 months	<p>The HSCP will refresh development work with IJB members to ensure their understanding of their role is clear.</p> <p>Review performance reporting arrangements to ensure consistency and alignment of reporting and avoid unnecessary duplication.</p>
	<p>4. (ii) Accountability processes across statutory partners will be streamlined. Current arrangements for each statutory partner should be scoped and opportunities identified for better alignment, with a focus on better supporting integration and transparent public reporting. This will also ensure that different rules are not being applied to different parts of the system particularly in circumstances of shared accountability.</p>	12 months	Continue to review structures to ensure accountability is clear and there is minimum duplication.
	<p>4. (iii) IJB chairs must be better supported to facilitate well run Boards capable of making effective decisions on a collective basis. There are well-functioning IJBs that have adopted an open and inclusive approach to decision making and which have gone beyond statutory requirements in terms</p>	12 months	As the IJB has a newly appointed Chair and new Board member joining shortly, it will refresh its seminar programme.

	of memberships to include representatives of key partners in integration, including the independent and housing sectors. This will assist in improving the effectiveness and inclusivity of decision making and establish IJBs as discrete and distinctive statutory bodies acting decisively to improve outcomes for their populations.		
	4. (iv) Clear directions must be provided by IJBs to Health Boards and Local Authorities. Revised statutory guidance will be developed on the use of directions in relation to strategic commissioning, emphasising that directions are issued at the end of a process of decision making that has involved partners. Directions must be recognised as a key means of clarifying responsibilities and accountabilities between statutory partners, and for ensuring delivery in line with decisions.	6 months	The IJB will review its use of directions and develop them in collaboration with other NHS GGC integration authorities.
	4. (v) Effective, coherent and joined up clinical and care governance arrangements must be in place. Revised statutory guidance will be developed based on wide ranging consultations with local partnerships, identifying good practice and involving all sectors. The key role of clinical and professional leadership in supporting the IJB to make decisions that are safe and in accordance with required standards and law must be understood, coordinated and utilised fully.	6 months	The IJB will review clinical and care governance arrangements when national guidance is published.
5. Ability and willingness to share information			
The Scottish Government and COSLA should: <ul style="list-style-type: none"> ▪ monitor how effectively resources provided are being used and share data and performance information widely to promote new ways of working across Scotland. ▪ The Scottish Government, COSLA, councils, NHS boards and Integration Authorities should work together to: 	5. (i) IJB annual performance reports will be benchmarked by Chief Officers to allow them to better understand their local performance data. Chief Officers will work together to consider, individually and as a group, whether their IJBs' annual reports can be further developed to improve consistency in reporting, better reflect progress and challenges in local systems, and ensure that, as a minimum, all statutorily required information is reported upon.	By publication of next round of annual reports in July 2019	The IJB will continue to participate in the Strategic Commissioning Improvement Network and will adapt our annual report structure in line with national recommendations to enable better comparison and learning.
	5. (ii) Identifying and implementing good practice will be systematically undertaken by all partnerships. Chief	6 - 12 months	The IJB will continue to collaborate with NHS GGC wide and national initiatives.

<ul style="list-style-type: none"> ▪ share learning from successful integration approaches across Scotland ▪ address data and information sharing issues, recognising that in some cases national solutions may be needed ▪ review and improve the data and intelligence needed to inform integration and to demonstrate improved outcomes in the future. They should also ensure mechanisms are in place to collect and report on this data publicly. 	<p>Officers will develop IJBs' annual reports to enable partnerships to identify, share and use examples of good practice, and lessons learned from things that have not worked. Inspection findings and reports from strategic inspections and service inspections should also provide a clear means of identifying and sharing good practice, based on implementation of the framework outlined below at 5 (iii) and the national health and social care standards.</p>		
	<p>5. (iii) A framework for community based health and social care integrated services will be developed. The framework will be key in identifying and promoting best practice in local systems to clearly illustrate what good looks like in community settings, which is firmly focused on improving outcomes for people. This work will be led by Scottish Government and COSLA, involving Chief Officers and other key partnership staff to inform the framework.</p>	6 months	NO LOCAL ACTION - NATIONAL BODIES RESPONSIBLE
6. Meaningful and sustained engagement			
<p>Integration Authorities, councils and NHS boards should work together to:</p> <ul style="list-style-type: none"> ▪ continue to improve the way that local communities are involved in planning and implementing any changes to how health and care services are accessed and delivered. 	<p>6. (i) Effective approaches for community engagement and participation must be put in place for integration. This is critically important to our shared responsibility for ensuring services are fit for purpose, fit for the future, and support better outcomes for people using services, carers and local communities. Revised statutory guidance will be developed by the Scottish Government and COSLA on local community engagement and participation based on existing good practice, to apply across health and social care bodies. Meaningful engagement is central to achieving the scale of change and reform required, and is an ongoing process that is not undertaken only when service change is proposed.</p>	6 months	The IJB will develop locality planning groups to delegate decision making on priorities to locality level.
	<p>6. (ii) Improved understanding of effective working relationships with carers, people using services and local communities is required. Each partnership should critically evaluate the effectiveness of their working arrangements and relationships with people using services, carers and local communities. A focus on continuously improving and learning from best practice will be adopted in order to maximise</p>	12 months	The HSCP will develop a more systematic approach to quality assurance and feedback from people who we support, care for, or treat.

	meaningful and sustained engagement.		
	<p>6. (iii) We will support carers and representatives of people using services better to enable their full involvement in integration. Carers and representatives of people using health and social care services will be supported by partnerships to enable meaningful engagement with their constituencies. This will support their input to Integration Joint Boards, strategic planning groups and locality arrangements for integration. This would include, for example, receipt of IJB papers with enough time to engage other carers and people using services in responding to issues raised. It would also include paying reasonable expenses for attending meetings.</p>	6 -12 months	The HSCP will develop a more systematic approach to seek users and carer feedback and will update our participation and engagement plan in partnership with 'Your Voice'.

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE20 June 2019Report by Chief AuditorREVIEW OF INTERNAL AUDIT CHARTER**1 PURPOSE OF REPORT**

To submit to members for approval the revised internal audit charter. The previous charter was approved by the Audit and Scrutiny Committee in August 2016.

2 BACKGROUND

- 2.1 The Public Sector Internal Audit Standards (PSIAS) first came into effect on 1 April 2013. Standard 1000 of this document states that:

“the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, Code of Ethics and the Standards.”

Additionally, “the chief audit executive” must periodically review the internal audit charter and present it to senior management and the Audit and Scrutiny Committee for approval.

- 2.2 An internal audit charter was submitted to and approved by the Audit and Scrutiny Committee on 21 August 2014 and revised in August 2016. The internal audit charter is a formal document that defines the council’s internal audit activities in the context of purpose, authority and responsibility and covers such areas as organisational position, access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities.
- 2.3 There is a requirement to periodically review the charter to ensure it remains fit for purpose. This review was carried out and some very minor changes were made to improve the content. In particular:
- paragraph 3.1 has been updated to refer to the most current documents,
 - paragraph 5.1 has been updated to reflect the current wording within financial regulations
 - paragraph 7.5 has been expanded to refer to the responsibilities of the corporate management team.

3 INTERNAL AUDIT CHARTER

- 3.1 A revised Internal Audit Charter is attached as an appendix to this report.

4 RECOMMENDATION

- 4.1 The Committee is asked to approve the revised Internal Audit Charter which is contained in the appendix to this report.
- 4.2 Further information is available from Michelle Blair, Chief Auditor, telephone 0141 577 3067.

BLANK PAGE

EAST RENFREWSHIRE COUNCIL INTERNAL AUDIT CHARTER

1 INTRODUCTION

- 1.1 The Public Sector Internal Audit Standards (the Standards) effective from April 2013 state that: *“the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards.”* For internal auditors in the public sector, compliance with the Standards is mandatory.
- 1.2 The Standards also state that *“the chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”*
- 1.3 This internal audit charter sets out the purpose, authority and responsibility of the internal audit activity in the context of East Renfrewshire Council.
- 1.4 East Renfrewshire Council has adopted the definition of internal auditing as stated in the Standards. Internal auditing is a department, division, or team that provides independent, objective assurance and consulting services designed to add value and improve an organisation’s operations and helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluation and improve the effectiveness of governance, risk management and control processes.
- 1.5 In addition, each organisation is required to define at a local level its interpretation of the generic terms which form part of the governance arrangements. These terms are listed below together with the interpretation to be used for East Renfrewshire Council.

Term used in the Standards	East Renfrewshire Council interpretation
Chief audit executive	Chief Auditor
Board	Audit and Scrutiny Committee
Senior Management	Corporate Management Team

2 PURPOSE

- 2.1 Internal audit is an independent, objective assurance and consulting function based within the Chief Executive’s Office. The Chief Auditor is responsible for the effective review of all aspects of risk management and control throughout the council’s activities and for providing an annual assessment on the controls in place to the Audit and Scrutiny Committee.
- 2.2 The existence of internal audit is not a substitute for a comprehensive control environment and it remains the responsibility of management to ensure that effective controls are put in place and complied with.

3 CORPORATE STRATEGY

- 3.1 The Council’s long term visions and objectives are set out in the Community Plan. The Outcome Delivery Plan (ODP) plays an important role in translating these visions and objectives into specific outcomes for council departments to implement. Internal Audit’s main role in helping deliver the corporate objectives is to assist in identifying processes which could be done more efficiently.
- 3.2 Internal audit aims to assist the council discharge its corporate governance requirements and will objectively examine, evaluate and report on the adequacy of the whole system of controls established by management and ultimately will provide an annual assurance statement on the adequacy of the council’s key systems and

controls through a programme of independent reviews. Internal audit's remit extends across the entire control environment and is not restricted to just financial controls.

4 INDEPENDENCE AND AUTHORITY

- 4.1 Internal audit's role is to provide an independent appraisal function to elected members and all levels of management. Internal audit reviews will be governed by the policies, procedures and regulations established by the council. The stakeholders include not only management and elected members but also the external auditors, the audit and scrutiny committee, external inspection agencies, partnership organisations and the general public.
- 4.2 Internal audit is independent of the activities which it audits to ensure the unbiased judgements essential to its proper conduct and impartial advice to management. Internal auditors will have no operational responsibilities and will not undertake non-audit duties. The Chief Auditor reports directly to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.
- 4.3 In line with best practice, the Chief Auditor has direct unrestricted access and is able to communicate freely with all members of the corporate management team, elected members and external audit.
- 4.4 The Chief Executive is the line manager of the Chief Auditor and accordingly carries out the performance appraisals. The Chair of the Audit and Scrutiny Committee is invited to provide feedback for input into this process.

5 AUTHORITY AND SCOPE

- 5.1 The role of internal audit is to understand the key risks faced by the council and to examine and evaluate the adequacy and effectiveness of the system of risk management and internal control as operated by the council. In order to properly carry out these duties, internal audit has unrestricted access to all activities undertaken in the council and will have authority, on production of identification to:
- enter all Council premises or land at reasonable times;
 - have access to all records and systems;
 - require and receive any explanations necessary concerning any matter under investigation;
 - require any employee of the council to produce cash, stores or other property under that employee's control;
 - make appropriate recommendations.
- 5.2 Internal audit's rights of access as detailed above are codified in the council's Financial Regulations. The authority of internal audit will extend to partnership organisations where appropriate and as required. Specifically, partnership organisations will include the East Renfrewshire Culture and Leisure Trust and the Integration Joint Board.
- 5.3 To enable internal audit to meet its objectives, the scope of work will encompass the following activities:

- review of controls within existing systems and systems under developments,
 - review, appraise and report on compliance with the council's policies, procedures and regulations such as Financial Regulations and Standing Orders relating to Contracts;
 - regularity audits to ensure accuracy of processing transactions;
 - computer audit;
 - contract audit;
 - investigation of suspected frauds and irregularities;
 - follow up to ensure that action has been taken to remedy weaknesses previously identified by internal audit;
 - consultancy work and provision of advice to departments and establishments
- 5.4 Internal audit will determine its own priorities of which work to carry out based on its risk assessment of controls, consultation with management and taking account of the council's corporate risk management process as appropriate.

6 REPORTING

6.1 Reporting to Audit and Scrutiny Committee

Internal audit reports regularly on the results of its work to the Audit and Scrutiny Committee. The Chief Auditor is accountable to the Audit and Scrutiny Committee for:

- seeking approval annually of a Strategic and Annual Plan;
- providing quarterly progress reports of its work against the Annual Plan;
- providing an annual assessment on the adequacy of controls;
- providing an annual report summarising the work carried out during the year and the main findings;
- advising the Audit and Scrutiny Committee of whether audit resources are sufficient and appropriate to achieve the audit plan.

6.2 Reporting to Management

Audit findings, conclusions and recommendations arising from each audit will be communicated promptly to the appropriate director(s) and the Chief Executive. Where possible and appropriate, the key personnel involved during the audit will be given an opportunity to comment on the accuracy of the conclusions and recommendations arising from the audit prior to the issue of the report to management.

6.3 Audit reports will be submitted in final format to departmental directors. Sufficient time to respond to the report will be specified in the covering memo.

6.4 If a satisfactory response is not received within the specified timescale, reminders will be sent to the relevant director. If there is still no response then the matter will be reported to the next Audit and Scrutiny Committee. The director may be required to attend the Audit and Scrutiny Committee and explain the reasons for not responding. Additionally, the Chief Auditor will bring to the attention of the Audit and Scrutiny Committee any response which is considered to be unsatisfactory or incomplete.

7 RESPONSIBILITY

7.1 Chief Auditor

The Chief Auditor is responsible for:

- developing a strategic and annual audit plan based on an assessment of the significant risks to which the council is exposed;
- submitting the strategic and annual plan to the Audit and Scrutiny Committee for review and approval annually;
- implementing the agreed annual audit plan and bringing to the attention of the Audit and Scrutiny Committee any planned audits which will not be completed within the year and seeking their approval for deferring or deleting the audit from the plan;
- maintaining a professional audit team who have sufficient knowledge, skills and experience to carry out the annual audit plan;
- ensuring compliance with the Code of Ethics and the Standards promulgated by the Professional Accountancy Bodies;
- ensuring compliance with the Public Sector Internal Audit Standards;
- ensuring that additional work specifically requested by the Audit and Scrutiny Committee under its remit is carried out.

The Chief Auditor will:

- attend Audit and Scrutiny Committee meetings;
- ensure assignments are planned to minimise the possibility of conflict of interest;
- arrange the timing of assignments to minimise disruption to client staff and management where possible;
- ensure staff are allocated assignments in accordance with their skills and experience;
- ensure staff understand the objectives of their assignments and their responsibilities to promote effective control at reasonable cost.

7.2 Internal Audit Staff

Internal Audit staff are responsible for:

- disclosing potential conflicts of interest to the Chief Auditor;
- preparing adequate working papers to support audit findings, conclusions and recommendations;
- carrying out their work with due professional care and in line with the Public Sector Internal Audit Standards and any other relevant professional standards;
- treating as confidential the information they receive in carrying out their duties.

7.3 External Audit

External Audit review the Internal Audit arrangements within the Council and report annually on the adequacy and standards of Internal Audit to the Chief Executive.

External Audit will be informed of planned and actual Internal Audit activities and there will be close co-operation in order to maximise resources and avoid duplication of effort.

7.4 **Audit and Scrutiny Committee**

The key duties of the Audit and Scrutiny Committee are detailed in the Council's Scheme of Administration.

7.5 **Corporate Management Team**

The key duties of the Chief Executive, Chief Financial Officer and all directors are detailed in the Council's Financial Regulations.

The anti-fraud and bribery strategy specifies the responsibilities for preventing and detecting fraud and bribery and how and to whom to report this.

8 **PERIODIC ASSESSMENT**

8.1 Internal audit is required to maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The Chief Auditor is responsible for periodically providing a self-assessment of the internal audit activity's conformance with the Standards. Additionally, an external assessment needs to be conducted at least every 5 years by a suitably qualified external assessor.

8.2 The chief auditor will communicate the findings of each internal and external assessment to the Audit and Scrutiny Committee as appropriate together with a plan for any improvement action that is considered necessary.

9 **AUDIT RESOURCES AND PRIORITISATION OF WORK**

9.1 The annual and strategic plans will be prepared by the Chief Auditor and will take into account the council's corporate strategic risk register. Members of the corporate management team, elected members and the council's external auditors will also be consulted to ensure that current and developing risks are appropriately considered and included in the strategic audit plan.

9.2 The Chief Auditor will provide an assessment of audit resources to the Audit and Scrutiny Committee as part of the planning process. A contingency allowance for unplanned work will be included in the annual and strategic plan and will be used to respond to any specific issues brought to the attention of the chief auditor during the year.

10 **FRAUD RELATED WORK**

10.1 In accordance with the council's anti-fraud and bribery strategy, the investigation of any suspected fraud or bribery is normally carried out by the council's internal audit section. Responsibility for the prevention and detection of fraud however lies with senior management across the council and not with internal audit. The guidance contained within the anti-fraud and bribery strategy will be followed by internal audit staff when conducting any investigation. Action taken by internal audit will include reporting the findings to the relevant director for any recommended action to be taken and reporting any suspected criminal activity to the police where necessary. Senior management will be responsible for implementing the recommendations of internal audit, including carrying out any disciplinary action required.

11 **CONSULTANCY WORK**

11.1 The definition of consultancy work is advisory and related client service activities, the nature and scope of which are agreed with the client, which are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility.

- 11.2 When invited by senior management, internal audit may provide advice and consultancy services on areas such as:
- cost effective controls for new systems and activities
 - opportunities to reduce costs through greater economy and efficiency within systems or processes
- 11.3 The role of internal audit in a consultancy assignment is to provide advice and support to senior management who retain ultimate responsibility for the decisions taken within the area under review.
- 11.4 Prior acceptance of any consultancy work will be dependent on available resources, the nature of the assignment and the potential impact on future independent assurances. Approval will be sought from the Audit and Scrutiny Committee for any significant consulting services to be carried out. Within East Renfrewshire Council, significant is defined as any single assignment equivalent to 5% or more of annual planned audit days.

Chief Auditor

3 June 2019

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE20 JUNE 2019Report by Chief AuditorPUBLIC SECTOR INTERNAL AUDIT STANDARDS INTERNAL SELF ASSESSMENT**PURPOSE OF REPORT**

1. The purpose of this report is to advise members of progress in relation to compliance with the Public Sector Internal Audit Standards (PSIAS).

BACKGROUND

2. The Public Sector Internal Audit Standards came into force on 1 April 2013 and includes a requirement that the Head of Internal Audit develops and maintains a quality assurance and improvement programme (QAIP) to enable the internal audit activity to be assessed against the PSIAS. CIPFA recommends that in order to undertake a self-assessment, the recommended checklist for assessing conformance included within the application note to the PSIAS is used which contains 339 criteria. Additionally, there is a requirement for an external assessment to be carried out at least once every 5 years by an independent assessor.

3. For internal auditors in the public sector, compliance with PSIAS is mandatory and any areas of non-conformance should be reported to the audit and scrutiny committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

4. The standards require that the QAIP includes both internal and external assessments. The recommendations and actions resulting from these assessments are contained within the QAIP which is included in the appendix. All recommendations from the external assessment which was submitted to the Audit and Scrutiny Committee in June 2018 have now been implemented.

5. The internal assessments must include ongoing monitoring of the internal audit activity and periodic self-assessments. This is achieved as follows:

- review of all internal audit files by the Chief Auditor
- monitoring of internal audit activity by the Audit and Scrutiny Committee through quarterly progress reports and the annual report
- performance measurement framework in place which includes reporting on performance indicators approved by the Audit and Scrutiny Committee, national Director of Finance indicators and Council corporate indicators
- annual review by the Council's external auditors of internal audit activity and feedback on whether they can place reliance on the work carried out by Internal Audit
- feedback via the use of annual customer satisfaction surveys on the work carried out by internal audit

- self-assessments using the recommended checklist are carried out periodically (except for years where there has been an external assessment) and the results submitted to the Audit and Scrutiny Committee.

6. External assessments are required to be carried out at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. External assessments can be in the form of a full external assessment or a self-assessment with independent external validation.

OPTIONS APPRAISAL FOR EXTERNAL ASSESSMENT

7. **Option 1 – Reciprocal Independent Self-Assessment Validation:** The Scottish Local Authority Chief Internal Auditors Group (SLACIAG) have set up a reciprocal arrangement for councils who wish to participate in providing PSIAS compliant external assessments for each other. The benefit of this arrangement is that it is essentially cost neutral as each participating council will provide and receive one external assessment. There would however be an audit time commitment in both the years of assessing and being assessed. East Renfrewshire took this option for the first external assessment. The results of this assessment were submitted to the Audit and Scrutiny Committee in June 2018.

8. **Option 2 – Full Independent External Assessment:** An alternative approach to this would be to appoint an independent external body to carry out a full assessment of compliance against the standards but this would incur unnecessary expenditure and does not necessarily represent value for money.

9. **Option 3 – Do Nothing:** A further alternative would be to continue to complete periodic self-assessments and ignore the requirement to have external assessments carried out. It is unclear what penalty if any would result from this approach as the council's external auditors already carry out a separate annual assessment of internal audit to determine whether they can place reliance on the work of internal audit.

10. In the first 5 year cycle, option 1 was selected. It is proposed that option 1 is again taken for the next 5 year cycle and East Renfrewshire Council participate in the SLACIAG reciprocal arrangement to deliver external PSIAS assessments.

SELF ASSESSMENT

11. In August 2014, a report detailing the full results of the first self-assessment of PSIAS was submitted and noted by the Audit and Scrutiny Committee. The self-assessment was carried out by using the recommended checklist which contains four columns to indicate full, partial or non-compliance and non-applicable. The self assessment was repeated again in 2016 and May 2019. A copy of the latest full self-assessment is available on request but the results are summarised below.

12. The Standards require that the assessment must include an evaluation with regard to the degree of internal audit's compliance. Internal audit's self-assessment indicates that the service is currently fully compliant with 286 (or 95%) of all criteria which are applicable and partially compliant with a further 12 (or 4%).

13. The results of this self-assessment show an improvement in compliance compared to the previous one, mainly due an expansion of information included in the quarterly progress

reports, inclusion of the QAIP in the Annual Report and implementation of risk assessed recommendations within all audit reports.

14. The table below summarises internal audit's self-assessment of conformance against the standards as at May 2019.

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
1 Definition of internal audit	3	3			
2 Code of Ethics	13	13			
1000 Purpose, authority and responsibility	23	21			2
1100 Independence and objectivity	35	27		1	7
1200 Proficiency and due professional care	21	18			3
1300 Quality assurance and improvement programme	31	29			2
2000 Managing the internal audit activity	47	41	1	1	4
2100 Nature of work	31	28			3
2200 Engagement planning	54	32	10	1	11
2300 Performing the engagement	22	22			
2400 Communicating results	53	47	1	1	4
2500 Monitoring progress	4	3			1
2600 Communicating the acceptance of risks	2	2			
Total	339	286	12	4	37
Total excluding non-applicable	305				
% of total	100%	95%	4%	1%	

15. This shows an improvement in compliance compared to the previous self-assessment submitted to the Audit and Scrutiny Committee as follows:

Standards	No. of criteria	IA assessment of conformance			
		Yes	Partial	No	N/A
Compliance as at August 2014	339	255	27	23	34
Compliance as at Sept 2016	339	269	20	13	37
Compliance as at May 2019	339	286	12	4	37

16. There are few areas of non compliance however two of these are addressed in the QAIP and relate to:

- The audit and scrutiny committee seeking assurance on whether there have been any scope or resource limitations
- Stating in each audit report that the engagement has been conducted in conformance with the PSIAS.

17. The main areas identified as non-applicable relate to:
- Consultancy engagements – internal audit has not undertaken any significant consultancy work in 2018/19 to date or in the years prior to this.
 - Internal audit does not carry out any non-audit duties or have any operational duties outwith the internal audit function.
18. The main area assessed as being partially compliant is in relation to:
- The issues which are routinely considered when planning each audit assignment but are not always formally documented.
19. On the basis that the self-assessment indicates that the internal audit team are 95% fully compliant with the relevant standards and partially compliant with a further 4%, it is concluded that the internal audit section operates in general compliance with the Public Sector Internal Audit Standards. This result was reflected in the external assessment which concluded that the internal audit service was fully compliant in 11 out of 13 sections and generally compliant in the remaining two.

RECOMMENDATIONS

20. The Committee is asked to note the outcome of the revised self-assessment.
21. The Committee is again asked to approve continuing participation in the reciprocal SLACIAG independent self-assessment validation process (Option 1).

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

QUALITY ASSURANCE IMPROVEMENT PLAN (QAIP) AS AT MAY 2019

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
1	EA 2018	Reporting of PSIAS Self Assessment A self-assessment against PSIAS was undertaken by the Chief Internal Auditor and this was reported to the Audit and Scrutiny Committee in September 2016. However, the results of this were not included in the Annual Report.	It is recommended that compliance is enhanced by completing the self assessment against PSIAS annually and reporting on it in the Annual Report as part of a statement on the internal audit function's Quality Assurance and Improvement Programme.	Implemented. PSIAS self assessments carried out June 2019 and QAIP included within the Annual Report.	N/A
2	EA 2018	Reporting to the Audit and Scrutiny Committee The Audit Plan is formally approved by committee and progress against the annual audit plan is reported on a quarterly basis to the Audit and Scrutiny Committee and adjusted if required. The process for allocating resources against the plan appears reasonable. Verbal updates are given by the Chief Auditor on significant risks identified but these updates are not provided in writing ahead of the committee meetings.	Consideration should be given to, as a minimum, providing some written detail to the Audit and Scrutiny Committee on the nature and number of High risk issues raised, including those not accepted by management, with the aim of enhancing visibility and scrutiny.	Implemented. The quarterly progress reports provided to audit and scrutiny members were expanded to include more information about findings/recommendations from 2018/19 quarter 1 onwards.	N/A
3	EA 2018	Retention of audit evidence Procedures are in place to identify, document, analyse, and evaluate evidence gathered during the audit engagement. Paper audit files are maintained and these are generally well organised and clear to follow. The quality and quantity of evidence retained is generally deemed sufficient but minor instances have been noted	It should be ensured that sufficient detail is retained on file to enable a third party to fully understand the detail of the work undertaken.	Implemented. The Chief Auditor ensures that cross referencing within files is adequate to allow a third party to understand the detail of the work undertaken.	N/A

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
		where the quality could be improved to enable a third party to understand the detail of the work undertaken.			
4	EA 2018	Annual Audit Opinion The overall audit opinion on internal controls is provided in the annual report. Significant areas of concern are highlighted in the audit opinion. However, an opinion is not provided on governance and risk management.	Compliance with PSIAS could be further enhanced by concluding on the overall effectiveness of the council's framework of governance and risk management.	Implemented. This was addressed in the assurance statement included within the Annual Report for 2017/18.	N/A
5	SA 2019	Standard 2430 Use of "Conducted in Conformance with the PSIAS" only if the results of the QAIP support such a statement	Include a statement in all audit reports that the audit has been conducted in conformance with PSIAS.		Sept 2019
6	SA 2019	Standard 1110 – the internal audit service must be free from interference in determining the scope of internal auditing, performing work and communicating results. The Chief Auditor must disclose such interference to the Audit and Scrutiny Committee and discuss the implications.	A statement will be included in the 2018/19 Annual Report.	Implemented June 2019.	N/A

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE20 JUNE 2019Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2018/19 QUARTER 4**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2018/19.

BACKGROUND

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

AUDIT PLAN 2018/19 - PROGRESS REPORT QUARTER 4

3. A copy of the annual audit plan for 2018/19 is shown in appendix 1. A total of 14 audit reports relating to planned 2018/19 audit work have been issued since the last progress report as shown in appendix 2. The management response for one of the audit reports issued during the quarter has yet to be received but the due date for the response has not yet passed. All audit responses received in the quarter have been deemed satisfactory. Responses are deemed to be satisfactory if all recommendations are accepted for implementation by management and where any recommendation is not accepted, a satisfactory reason is given. Recommendations made which were not accepted by management are detailed in appendix 3. In addition, the quarterly performance indicators for the section are shown in appendix 4.

4. One new request for assistance was dealt with using contingency time during the quarter. This was in relation to theft of cash (£100) and a Chromebook at a council location. One of the items being dealt with using contingency brought to members attention in the previous progress report in relation to the tendering process has now been concluded and the main finding is that controls over the tender evaluation process need to be improved to ensure transparency and fairness in the award of tenders.

RECOMMENDATION

5. The Committee is asked to
 - (a) note Internal Audit's progress report for audits completed in the final quarter of 2018/19 and post year-end.
 - (b) confirm whether they wish any of the reports issued in the quarter as detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.

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

BLANK PAGE

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2018/19 PROGRESS REPORT

Department	Title	Audit Number	No. of days	Status
Chief Executives	VAT	1	12	Complete
Corporate & Community	Council Tax – reductions and liability	2	24	Complete
	Creditor Payments	3	15	Complete
	Debtors control	4	10	Complete
	Housing Benefit/ Universal Credit	5	30	Complete
	Income Maximisation, money advice, welfare rights	6	30	Complete
	Insurance Arrangements	7	8	Complete
	Members' Expenses	8	12	Complete
	Payroll	9	25	Complete
	Application controls – Payroll/HR	10	18	Complete
	Education	Parentpay	11	18
Schools Cluster 1 – St Lukes		12	32	Complete
Operation of Trust		13	15	DEFERRED
Wraparound care		14	35	Complete
Environment	Project management of capital projects	15	22	In progress
	City Deal	16	15	Complete
	Grant Certification	17	22	Complete
	State Aid	18	10	Complete
	PPP projects	19	15	Complete
	Vehicle Services	20	12	Complete
	Year end Stocktake	21	5	Complete
Housing	Housing Repairs	22	20	Complete
HSCP	HSCP Health Care Centres and area offices – Barrhead Health and Care Centre	23	8	Complete
	HSCP Emergency payments (sect 22 & 12)	24	8	Complete
	HSCP Self Directed Support Charges	25	20	Complete
	Home Care Services	26	22	Complete
	IJB	27	20	Time not used
Trust	Community and Leisure Limited	28	20	Complete
Other	NFI	29	5	Complete
Various	Application controls – ICON cash receipting	30	18	Complete
	Contract 1– Community Benefits	31	8	Complete
	Contract 2 – Quick Quotes	31	12	Complete
	Mobile phones	32	15	Complete
	Fraud Contingency	33	70	Complete
	General Contingency	34	30	Complete
	LG Benchmarking Framework payment of invoices	35	5	Complete
	LG Benchmarking Framework equal opportunities	35	5	Complete
	Follow up	36	50	Complete
	Previous year audits	37	20	Complete
Total			741	

Note – Audit reports issued in the final quarter or post year end are shown in bold

BLANK PAGE

INTERNAL AUDIT REPORTS AND MEMOS ISSUED 2018/19															
FILE REF	Audit No.	SUBJECT	Department	DATE AUDIT STARTED	DATE REPORT/ MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted	
MB/1051/EL	21	Year End Stock Take	Environment	17/03/18	01/05/18	N/A	N/A	No Recommendations	-	-	-	-	-	-	
MB/1052/NS	28	Trust	Trust	09/04/18	30/04/18	01/06/18	25/06/18	Trust							
MB/1053/NS	23	Barrhead HCC	HSCP	10/04/18	07/06/18	13/07/18	10/07/18	Satisfactory	5	1	1	3	-	-	
MB/1054/NS	8	Members' Expenses	Corp & Comm	26/04/18	23/05/18	N/A	N/A	No Recommendations	-	-	-	-	-	-	
MB/1055/RM	28	Trust	Trust	30/04/18	30/08/18	05/10/18	9/10/18	Trust							
			Environment		11/10/18	17/11/18	07/11/18	Satisfactory							
MB/1056/FM	1	VAT	Accountancy	03/05/18	2/10/18	9/11/18	12/10/18	Satisfactory	5	-	-	5	-	-	
			Corp & Comm				08/11/18	Satisfactory							
			HSCP				14/11/18	Satisfactory							
MB/1057/RM	36	HSCP Follow Up	HSCP	03/05/18	15/08/18	25/09/18	5/10/18	Satisfactory 1 point not accepted	18	-	5	13	-	1	
			Corp & Comm				30/08/18	Satisfactory							
MB/1058/NS	36	Corp & Comm Follow Up	Corp & Comm	11/05/18	02/08/18	07/09/18	06/09/18	Satisfactory	12	-	4	8	-	-	
			HSCP				3/10/18	Satisfactory							
MB/1059/NS	12	Schools Cluster 1 – St Lukes	Education	18/05/18	12/10/18	23/11/18	23/11/18	Satisfactory	38	-	22	16	-	-	
MB/1060/EL	26	Homecare Services	HSCP	01/06/18	11/10/18	23/11/18	05/12/18	Satisfactory	17	1	9	7	-	-	
			Corporate & Comm				19/11/18	Satisfactory							
MB/1061/EL	36	Environment Follow Up	Environment	01/06/18	06/07/18	10/08/18	04/09/18	Ext 17/08/18 Reminder 28/08 Satisfactory 1 point not accepted and long implementation dates for two noted.	8	4	1	3	-	1	
MB/1062/FM	20	Vehicle Services	Environment	07/06/18	06/09/18	12/10/18	08/10/18	Satisfactory 1 point not accepted	11	-	8	3	-	1	
MB/1063/RM	18	State Aid	Environment	11/06/18	1/11/18	7/12/18	26/11/18	Satisfactory	12	-	3	9	-	-	
			Corp & Comm				14/11/18	Satisfactory							
MB/1064/MB	17	SPT grant 2016/17	Environment	25/06/18	18/10/18	N/A	N/A	No response required	-	-	-	-	-	-	
MB/1065/FM	3	Creditor Payments	Corp & Comm	12/07/18	29/11/18	11/01/19	10/01/19	Satisfactory	5	-	1	4	-	-	
			Accountancy				29/11/18	Satisfactory							

**INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2018/19**

FILE REF	Audit No.	SUBJECT	Department	DATE AUDIT STARTED	DATE REPORT/ MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted
MB/1066/RM	31	Community Benefits	Environment	13/07/18	25/10/18	30/11/18	26/11/18	Satisfactory	13	-	1	12	-	2
			HSCP				03/12/18	Satisfactory						
			Legal and Procurement				12/12/18	Satisfactory 1 point not accepted						
			Education				26/11/18	Satisfactory 1 point not accepted						
			Corp & Comm				20/11/18	Satisfactory						
MB/1067/RM	19	PFI/PPP	Environment	16/07/18	17/01/19	22/02/19	13/2/19	Satisfactory	1	-	-	1	-	-
MB/1068/NS	36	Chief Execs Office Follow Up	Chief Execs Office	20/07/18	16/08/18	25/09/18	3/10/18	Satisfactory	2	-	-	2	-	-
MB/1069/NS	28	Trust	Trust	20/07/18	09/10/18	23/11/18	23/11/18	Trust						
MB/1070/NS	35	LGBF Indicators: Payment of Invoices	Corp & Comm	25/07/18	09/10/18	23/11/18	14/11/18	Satisfactory	6	--	-	6	-	-
			Legal				15/11/18	Satisfactory						
MB/1071/NS	30	Application Controls: Icon Cash Receipting	Accountancy & Corp & Comm	07/08/18	12/11/18	14/12/18	15/11/18	Satisfactory	1	-	-	1	-	-
MB/1072/EL	36	Education Follow Up	Education	13/08/18	17/10/18	23/11/18	Ext 21/12/18 21/12/18	1 point not accepted Satisfactory	3	-	-	3	-	1
MB/1073/EL	14	Wraparound Care	Education	13/08/18	26/10/18	30/11/18	30/11/18	Satisfactory	12	-	3	9	-	-
MB/1074/MB	35	LGBF Indicators: Equal Opportunities	Corp & Comm	21/08/18	30/08/18	05/10/18	2/10/18	Satisfactory	4	-	-	4	-	-
MB/1075/NS	7	Insurance Arrangements	Corp & Comm	28/08/18	23/11/18	12/01/19	24/12/18	Satisfactory 1 point not accepted	8	-	-	8	-	1
MB/1076/RM	2	Council Tax Reductions and Liability	Corp & Comm	13/09/18	28/02/19	05/04/19	28/03/19	Satisfactory 2 points not accepted	13	-	3	10	-	2
MB/1077/NS	24	HSCP Emergency Payments (Sect 12 & 22)	HSCP	13/09/18	12/12/18	25/01/19	29/01/19	Satisfactory	10	-	4	6		-
MB/1078/EL	25	Direct Payments SDS	HSCP	03/10/18	14/01/19	15/02/19 Ext 2/2/19 Ext 1/3/19 Ext 8/3/19	22/03/19	Satisfactory (2 partially accepted)	10	1	7	2	0	-
MB/1079/FM	9	Payroll	Corp & Comm	20/09/18	21/02/19	29/03/19	29/03/19	Satisfactory 1 point not accepted	4	-	3	1	-	1
			HSCP				05/04/19	Satisfactory						
			Environment				13/03/19	Satisfactory						
			Education				02/02/19	Satisfactory						
			Legal				02/04/19	Satisfactory						
			Accountancy				23/02/19	Satisfactory						
MB/1080/NS	4	Debtors Control	Corp & Comm	04/10/18	12/12/18	25/01/19	08/01/18	Satisfactory	6	-	-	6		-
			HSCP				29/01/19	Satisfactory						
			Legal				24/01/19	Satisfactory						

**INTERNAL AUDIT
REPORTS AND MEMOS ISSUED 2018/19**

FILE REF	Audit No.	SUBJECT	Department	DATE AUDIT STARTED	DATE REPORT/ MEMO SENT	DATE REPLY DUE	DATE REPLY REC	COMMENTS	Total	H	M	L	E	Not accepted
MB/1081/FM	10	App'n Controls – Payroll/HR	Corp & Comm	29/10/18	07/05/19	07/06/19	30/05/19	Satisfactory	5	-	1	4	-	-
MB/1082/NS	5	Housing Benefits	Corp & Comm	24/10/18	29/03/19	03/05/19	17/04/19	Satisfactory	5	-	-	5	-	-
MB/1083/RM	31	Contract – Quick Quotes	Education	06/11/18	29/03/19	03/05/19	03/05/19	Satisfactory	13	-	-	13	-	-
			Environment				30/04/19	Satisfactory						
			Legal				29/5/19	Satisfactory						
			Accountancy				01/04/19	Satisfactory						
			HSCP				10/04/19	Satisfactory						
			Corp & Comm				17/04/19	Satisfactory						
MB/1084/NS	32	Mobile Phones	Corp & Comm	28/11/18	26/03/19	03/05/19	29/04/19	Satisfactory	10	-	-	10	-	-
			Environment				30/04/19	Satisfactory						
			Education				02/04/19	Satisfactory						
			HSCP				10/04/19	Satisfactory						
			Legal Services				08/05/19	Satisfactory						
			Accountancy				09/04/19	NR						
MB/1085/NS	36	CEO Follow Up	Chief Exec's	07/12/18	28/03/19	03/05/19	03/04/19	Satisfactory	2	-	1	1	-	-
MB/1086/RM	15	Project Management of Capital Projects	Environment	13/12/18										
MB/1087/FM	36	HSCP Follow Up	HSCP	10/01/19	16/04/19	24/05/19	30/05/19	Satisfactory	11	-	-	11	-	-
MB/1088/FM	6	MART (income Max, Money Advice, Welfare Rights)	Corp & Comm	14/01/19	23/05/19	28/06/19	11/06/19	Satisfactory 2 pts not accepted	8	-	-	8	-	2
MB/1089/NS	22	Housing Repairs	Housing	18/01/19	24/04/19	31/05/19	30/05/19	Satisfactory however long timescale noted for one of recs.	10	-	4	6	-	-
MB/1090/RM	16	City Deal	Environment	12/02/19	21/05/19	28/06/19			3	-	-	3	-	
			Accountancy											
MB/1091/RM	11	Parentpay – music tuition	Education	26/02/19	29/04/19	24/05/19	05/06/19	Satisfactory	15	-	1	14	-	-

BLANK PAGE

SUMMARY OF 2018/19 REPORTS ISSUED IN QUARTER ENDED 31 MARCH 2019 AND POST YEAR END

1. MB/1067/RM PFI/PPP

The objectives of the audit were to ensure that:

- A contract manager is in place and has defined roles
- Adequate monitoring of invoices is undertaken prior to payment
- Monitoring procedures have been established for the provision of contracted services
- Unitary charges/service payments agree to payment schedule profile
- Scottish Government Direct Support payments are calculated in accordance with the contract
- The contractor is subject to comprehensive and regular scrutiny of performance and viability
- Liaison meetings take place in accordance with the contract and are evidenced
- Reports are submitted to the relevant officer in accordance with the contract
- The provisions of the Project Agreement payment mechanism including RPI uplift are adhered to
- Insurance checks are regularly carried out to ensure that the contractor can demonstrate adequate insurance cover
- Costs of insurance are borne by the appropriate parties or shared in accordance with the Agreement
- Deductions or change orders are applied correctly
- Provisions relating to renewal of fabric as specified in the contracts after set number of years is complied with

Audit testing indicates that most of the objectives are being met with only two points to be brought to management's attention:

Change orders are not always being processed timeously by the contractor however action to rectify this appears to be outwith the control of the Council therefore no recommendation was made. One recommendation was made regarding Insurance for Roads PFI not being positively approved by Head of Accountancy which carries the risk that verification of insurance coverage is not evidenced. This recommendation was classified as low risk. The recommendation was accepted by management.

2. MB/1076/RM COUNCIL TAX REDUCTIONS AND LIABILITY

The objectives of the audit were to ensure that:

- Procedures are in place for processing reductions and are based on current legislation
- A consistent and transparent approach is used in determining liability
- All amendments to liability have supporting documentation and are actioned promptly
- Discounts and exemptions are only granted following verification
- Appeals are dealt with in accordance with legislation
- Appropriate reconciliations and checks are carried out at regular intervals and are reviewed by Senior Management
- All data is held securely.

Testing confirmed that the council tax service is generally operating in accordance with procedures and the appropriate controls are in place with no high risk recommendations being made. There are however some areas where recommendations are made to reduce the risk of loss of income to the council such as ongoing checks to ensure single persons discounts are valid, visiting properties to verify exemption status and withdrawing discounts and exemptions within the appropriate timescale.

The checklist which was expanded following direct debits being taken from bank accounts earlier than the designated date are not always being completed in full or consistently. Council Tax procedure notes do not incorporate version control and are not complete.

Thirteen recommendations were made, three were classified as medium risk and ten as low risk. Two recommendations were not accepted by management.

The medium risk recommendations and those not accepted by management are reproduced below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.2.2	A check should be established to ensure that the declaration for SPD has been returned or SPD entitlement should be ended after a specified period.	Low	No	Process will be changed when awarding sole occupancy discounts from April 2019. Customer will be informed that discount has been awarded and will be advised that they must inform us immediately if :- a) It is not due at this time b) there is a future change in circumstances.	N/A	N/A
4.4.1	Enquiries should be made to ascertain why the September cancellation process was not run, why the October process was run but did not catch all applicable reductions and whether any others have been missed in addition to the discount in the audit sample.	Medium	Yes	Investigation has been concluded and process is now in place to ensure there will be no repeat of this issue.	Senior Revenues Officer	In place
4.6.1	If visits cannot routinely be made due to lack of resources, analysis should be carried out to identify the highest risk properties and visits carried out on these as a minimum.	Medium	No	The current visits which take place are already targeting high risk cases.	Council Tax Team Leader	In place
4.9.1	Priority should be given to preparing or updating procedures notes for CT refunds and transfers between CT accounts, with due emphasis on money laundering considerations and the checks that must be carried out before a refund or transfer is made	Medium	Yes	Procedures notes for CT refunds and transfers between CT accounts, with due emphasis on money laundering considerations and the checks that must be carried out before a refund or transfer is made will be updated.	Operations Manager	May 2019

3. MB/1077/NS HSCP EMERGENCY PAYMENTS (SECT 12 AND 22)

The objectives of the audit were to ensure that:

- In relation to Section 22 payments, ensure that payments have been made to cover an exceptional emergency situation and that the appropriate paperwork has been completed and authorised prior to the payment being made.
- In relation to Section 12 payments, ensure that the payment was made to an applicant who is 16 years or older and has a community care need, such as being affected by disability or are vulnerable due to mental or physical health issues or are homeless.
- Also checks were carried out to determine if they had satisfied the social worker that there were no other sources of income (e.g. crisis loan or DWP benefit).

Audit testing focused on amounts coded to ledger codes SC20 (Childcare), 306906 (Section 22 Immediate Needs) for 2017/18 and 2018/19. No amounts were traced to the ledger for codes set up to record section 12 payments.

The review of paperwork held at both Barrhead and Eastwood showed that application forms are not always available to support the payments and where there were application forms, these had not always been fully completed meaning that compliance with the criteria for Section 12 and 22 payments could not be confirmed.

The Section 22 application forms require additional authorisation for payments in excess of £50 however this was not always obtained.

Ten recommendations were made, four were classified as medium risk and all others classified as low risk. All recommendations were accepted by management.

The medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Section 12 or 22 monies should not be disbursed unless there is an application form with all sections fully completed and all required signatures obtained	Medium	Yes	(1) A reminder will be issued to all relevant social workers team leaders and service managers. (2) Existing forms and guidance will be reviewed, agreed and implemented.	Head of Finance and resources and Chief Social Work Officer Governance Manager	28 Feb 2019 31 Mar 2019
4.1.2	All Social Workers should be reminded of the requirement to ensure that all application forms are authorised and where expenditure is over £50 that additional authorisation is required.	Medium	Yes	As per part 1 above	Head of Finance and resources and Chief Social Work Officer	28 Feb 2019
4.1.3	Payments must not be split across application forms to avoid the requirement for additional scrutiny and approval.	Medium	Yes	As per part 1 above	Head of Finance and resources and Chief Social Work Officer	28 Feb 2019
4.2.1	All cash disbursed to the applicants should be signed for and a copy of the receipt attached to the Section 12 or 22 paperwork passed to the imprest holder to support the payment.	Medium	Yes	Existing forms and guidance will be reviewed, agreed and implemented.	Governance Manager	31 Mar 2019

4. MB/1078/EL SELF DIRECTED SUPPORT DIRECT PAYMENTS

The objectives of the audit were to ensure that:

- All clients receiving self-directed support have been appropriately assessed
- All clients receiving self-directed support are identified and recorded
- Care packages are appropriately authorised
- Segregation of duties is maintained between those processing payments and authorising packages
- Sufficient checks are carried out on care receipts submitted and payments processed
- Appropriate budgetary control is exercised and sufficient management data is provided to support this.

All direct payment service agreements are logged on Care First as with any other type of care package. Work is ongoing to fully assess the implications of the direct payment functionality to interface with creditors. However the HSCP is also looking at the use of purchase cards for these payments which would enhance information for monitoring.

In the interim, direct payments continue to be recorded, paid and monitored using a spreadsheet. Reconciliations between the spreadsheet and the ledger are regularly carried out, up to date and automated as far as they can be. For each direct payment there should be an authorised DP agreement (DP2) and this was found for each client in audit samples, however there is no consistent approach to completion by individual workers. Each client and DP agreement should be recorded on the Carefirst system and for each payment there should be an authorised Service Agreement. This was satisfactorily evidenced in audit testing.

SDS Practice Guidance indicates that there will be checks carried out annually by HSCP Finance on all DP bank accounts and that statements of expenditure will be requested and monitored by Finance staff. This does not however happen in practice and at present, any check will be reactive to any issue raised.

Ten recommendations were made, one was classified as high risk, seven as medium risk and two as low risk. All recommendations were accepted by management except for the two classified as low risk which were partially accepted.

The high and medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Financial review of all direct payment clients should be undertaken as soon as possible and resource should be targeted to allow this.	High	Yes	Letters were issued to all Direct Payment recipients w/c 28 th Jan 2019 reminding them of financial record-keeping responsibilities and advising that HSCP Finance will be writing to them in March/April 2019, asking for a year-end balance and a random month's receipts. Participated in 3 SDS Forum events to explain record keeping, auditing and monitoring requirements to those in receipt of direct payments.	Client Finance Manager	31 Jul 2019
4.1.2	HSCP management should ensure at least annually that all option 1 clients have provided receipts to support expenditure and that any unspent monies are recovered.	Med	Yes	Current requirements are that a year-end balance plus one random full months' worth of receipts are asked for. New procedures are currently being produced, which will ensure recovery of surplus funds in accounts, within	Client Finance Manager	New procedures by 31 Jul 2019 and

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
				agreed parameters. The new role of Finance Support Officers (FSO) will be responsible for monitoring of direct payments, liaising with social workers to ensure appropriate use of funds. All clients will be written to in March/April 2019 as part of the annual review. During 2019/20 we will review our existing contractual requirements.		reviews ongoing thereafter
4.2.1	A review of the process for direct payments should take place with a view to ensuring that the process is easier to control, monitor and recover monies if necessary. This should take place as a priority.	Med	Yes	The process will be re-written to ensure FSOs are all aware of procedures. The spreadsheet log has been altered already to separately identify ended Service Agreements where action is needed with regards to a potential recovery of funds.	Client Finance Manager	31 Jul 2019
4.2.2	As soon as an alternative method of payment is implemented, relying solely on a spreadsheet database as a means of monitoring and controlling payment should cease.	Med	Yes	Alternative methods of payment will be investigated, including using CareFirst and payment cards.	Client Finance Manager	31 Mar 2020
4.3.1	Detailed and structured guidance should be produced to assist staff in assessing the appropriate use of direct payment option 1 monies. Where specific circumstances occur and more creative use of DP funding is being considered, there should be a process for recording and authorising this.	Med	Yes	Work has already begun around writing new guidance in conjunction with the locality managers. Once approved by DMT, this will be issued to all staff and separate guidance will be made available to clients.	Head of Adult Social Care and Localities	31 Jul 2019
4.4.1	Training across all teams should be provided for operational staff in how to complete DP agreements generally and how to support clients receiving a direct payment, specifically those under option 1.	Med	Yes	All documentation is currently being revised in line with the work on Individual Budgets. Thereafter training will be provided to relevant staff. Regular refresher training will be provided as required. We will continue to work with the SDS Forum to ensure any issues they become aware of can be addressed.	Client Finance Manager	31 Jul 2019 thereafter ongoing

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.5.1	A review of the policy adopted regarding the rate payable to option 1 clients should take place to ensure that: <ul style="list-style-type: none"> - clients are not placed in financial detriment for choosing option 1 with agency support - a fair and equitable payment policy is adopted for all clients regardless of the option chosen. 	Med	Yes	Work on implementing Individual Budgets for clients is nearing completion, which will ensure equity across all options. In the interim a review can be requested if clients feel they don't have enough money to pay for the care they are assessed as needing. A reminder of this was sent to staff in Sept 2018 and was forwarded to Internal Audit in November 2018. All care packages will be reviewed to bring them under the new individual budget process, which will commence once the Individual Budget Process is implemented.	Head of Finance and Resources	31 Jul 2019 and ongoing thereafter
4.7.1	A process should be implemented to allow formal recorded recovery action to be taken to ensure that amounts overpaid are recovered from ongoing payments or repaid directly to the HSCP.	Med	Yes	A report has been developed to identify all direct payment care packages that have ended. This report is reviewed monthly to ensure any payment made after an end date (for example due to the timing of notification of the change) will be recovered, linked to the closing statement for the account.	Client Finance Manager	31 Jul 2019

5. MB/1079/FM PAYROLL

The objectives of the audit were to ensure that:

- Payroll procedures are established
- Controls are in place to ensure that employee records are only created where an authorised post exists and the required documents/authorisations have been obtained
- Records are maintained of all statutory and non-statutory deductions made
- Controls are in place to ensure that prior to employees leaving, all relevant sections are notified and appropriate documentation is provided to the relevant internal and external bodies
- Payments are made correctly, securely and timely
- Data is held in accordance with the organisations information classification and data retention policies.

Four recommendations were made, three were classified as medium risk and one as low risk. All recommendations were accepted by management except one. Further details are provided in the table below.

Testing confirmed that the payroll service is generally operating in accordance with procedures and the appropriate controls are in place however there is potential inconsistency in the recovery of payroll related overpayments and there is no guidance on plus rates which are being paid to employees.

Recommendations made in the previous audit of payroll (MB/984/FM) were followed up during this audit and it was established that of the ten recommendations which were accepted, all were implemented apart from one relating to leavers checklists. Testing indicates that leavers checklists are still not being completed and returned to HR to demonstrate leavers access to all council systems is removed and council equipment returned when they leave though it is acknowledged that responsibility for this rests with departments.

The medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.1	Directors should implement a process which ensures that a leavers checklist is completed for every employee who leaves the council and that this form is uploaded to information@work.	Medium	No	Corp & Comm With current systems it is not possible for Directors to implement a process to ensure that the completed leaver's checklist is filed. A memo reminder will be issued to Leadership Group Plus to cascade to teams to encourage this practice.	Sharon Dick	4/4/19
			Yes	HSCP We note the introduction of the updated corporate leaver process and will communicate this to all managers	Business Support Manager	May 2019
			Yes	Environment Email sent to all managers reminding them to ensure a leavers checklist is completed and uploaded to info@work	David Kermack	Complete
			Yes	Education Correspondence will be issued to staff reminding them of the requirement for leaver's checklist to be completed for all staff leaving the council. Staff on corporate network will be advised form should be uploaded to Info@Work and staff on Education network will be advised to e-mail form to HR.	Business Support Manager (Budget Unit – Barry Taylor)	Apr 19
			Yes	Accountancy All managers will be reminded of the need to complete a leavers checklist for employees ceasing to work for the Council,	Head of Accountancy	March 2019
			yes	Legal	GM	April 19
4.4.1	HR guidance on pursuit of payroll related overpayments should be prepared and communicated to all departments.	Medium	Yes	Corp & Comm A process exists for the pursuit of overpayments, a guidance note is being prepared to communicate this to departments.	Kath McCormack, HR Manager	4/4/19
4.4.2	HR guidance should be prepared and issued advising of the circumstances of when plus rates may be paid.	Medium	Yes	Corp & Comm A process map is being prepared to clarify circumstances.	Kath McCormack, HR Manager	4/4/19

6. MB/1080/NS DEBTORS CONTROL

The objectives of the audit were to ensure that:

- Accounts are properly raised and posted for all chargeable services
- Accounts are issued promptly in advance of the service being provided where possible
- Payments received are promptly processed and correctly posted to debtors' accounts
- Write-offs, cancellations and credit notes are properly controlled
- Arrears follow-up procedures are properly controlled.

Testing carried out during the audit showed that records were generally well kept and up to date and no significant high risk recommendation are made. One of the previous recommendations which has been implemented is in relation to the Debtors service keeping a record to show reasons for any delays in issuing reminders to provide context for the instances where the letters were not issued in accordance with the procedures. Whilst a record is now in place it is noted that since April 2018 there have been six occasions where the reminder letters were delayed and in five of these cases it was due to IT issues with the files. Six recommendations were made, all were classified as low risk. All recommendations were accepted by management.

7. MB/1081/FM APPLICATION CONTROLS PAYROLL/HR

The objectives of the audit were to ensure that:

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

Generally adequate application controls are in place and operating satisfactorily however, further consideration should be given to reviewing audit trails logs and standing data amendments to ensure all transactions are valid and authorised. Five recommendations were made, one was classified as medium risk and all the others were classified as low risk. All recommendations were accepted by management.

The medium risk recommendation is reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.5.1	Audit trail reports should be run regularly and reviewed to identify any deleted transactions or unusual amendments	Medium	Yes	This is a requirement of the new Core HR System	Kath McCormack	November 2019

8. MB/1082/NS HOUSING BENEFITS

The objectives of the audit were to ensure that:

- Appropriate policies and procedures, based on current legislation, are available to ensure that administration and assessments are being carried out in accordance with current legislation
- Appropriate audit trails exist to support all payments made and are in accordance with DWP requirements
- Procedures are in place to ensure that pending claims are monitored and followed up as necessary
- Claims for backdated or extended payments are only made in accordance with guidelines
- Changes of circumstances are processed in a timely manner
- Appeals against decisions are carried out in a timely manner by appropriate senior benefits staff.

Audit testing confirmed that claims are being processed in accordance with policy and procedures and appropriate evidence is obtained to support the amounts being paid.

It was noted that all but one of the previous recommendations have now been implemented and further testing on the calculation of changes of circumstances processing times indicated that there was significant improvement in accuracy levels of the dates being used.

Five recommendations were made, all were classified as low risk. All recommendations were accepted by management.

9. MB/1083/RM CONTRACT – QUICK QUOTES

The objectives of the audit were to ensure that:

- Number of suppliers invited to bid complies with CSOs/ QQ Guidance
- Number of quotes received is in compliance with corporate procurement guidance and where less than 3 are received, reasons are sought from suppliers for not submitting a quote
- Where only one bid is received, Chief Procurement Manager authorisation is sought before proceeding and those who did not submit a bid are not invited to any future quotes
- Local suppliers listed on the Online Trading Network are being included in QQs
- Official purchase orders are being raised at the time of acceptance of any quick quote and cross-referenced to QQ
- The purchase order value reflects the QQ value
- The QQ evaluation matrix is completed and retained for audit purposes
- QQs are reviewed by appropriate Category Manager prior to issue
- QQ template document is used in all cases
- Where fewer than 5 suppliers are invited to bid, a file note is produced and retained by the procuring department giving the reason for the reduced number.

There are several parts of CSOs and the QQ guidance which are not being complied with throughout the Council's purchasing departments, suggesting that there is a lack of awareness of these documents. The guidance is overdue for updating and could also be streamlined and relaunched in terms of more publicity as some of the guidance is contradictory or unclear.

There is also difficulty in ensuring that local suppliers are given a chance to submit a bid and in verifying that there are local suppliers who can fulfill the requirements. The Online Trading Network is intended as a vehicle for this but it is not fit for purpose.

Thirteen recommendations were made, all were classified as low risk. All recommendations were accepted by management.

10. MB/1084/NS MOBILE PHONES

The objectives of the audit were to ensure that:

- A full and up to date inventory is maintained of all mobile devices in use across the Council.
- Device usage reports are provided timeously to departmental management and prompt action is taken where necessary.
- ICT informs Internal Audit of all reported losses following the initial report.
- Mobile phones are allocated to specific members of staff and the inventory is updated promptly whenever use of phone changes or a member of staff leaves the Council.

Reports from Vodafone were obtained from Procurement and ICT showing current users of mobile devices. These reports were matched to payroll reports taken from business objects by Audit. The analysis carried out showed that there were employees on the Vodafone report who were not appearing on the payroll report and others that were being shown as leavers on payroll.

Discussion with two department contacts confirmed that limited checks were being carried out on the reports being provided to them by Corporate Procurement. Given that responsibility for monitoring has not been passed to ICT, this would be an opportunity to revise the monitoring arrangements.

Ten recommendations were made, all were classified as low risk. All recommendations were accepted by management.

11. MB/1085/NS CEO FOLLOW UP

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

A total of 27 recommendations were made in the reports being followed up. Follow-up checks carried out during the audit showed that good progress has been made in implementing recommendations previously made.

Only two recommendations remain outstanding and require to be re-made, one was classified as medium and the other as low. Both recommendations were accepted by management and relate to Treasury Management. Training to relevant employees in relation to the Anti Money Laundering Policy is still to be provided and the Loan Interest Reconciliations require to be brought up to date and independently reviewed.

12. MB/1087/FM HSCP FOLLOW UP

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

A total of 47 recommendations were made in the reports being followed up. Follow-up checks carried out during the audit showed that effort has been made in implementing recommendations previously made.

Eleven recommendations remain outstanding and require to be re-made, all were classified as low risks. All recommendations were accepted by management.

13. MB/1088/FM MART (Income Max, Money Advice, Welfare Rights)

The objectives of the audit were to ensure that:

- Appropriate policy and procedures are in place to cover the operation of the service
- Quality assessment has been measured against National Standards;
- Training needs of staff are being addressed
- Reports produced are reliable and have accurate supporting documentation
- Benchmarking arrangements are in place
- Individual and team performance targets are clear and monitored
- All aspects of each case have been documented and each is treated consistently.

Audit testing confirmed that the service is operating satisfactorily and there are no significant findings. It was noted that there were several clients where a signed mandate was not available. A review of SLA's should be carried out to ensure that these are still current and re-issued where necessary. Procedure notes should be reviewed and updated to reflect recent changes in the way the service operates.

Eight recommendations were made, all were classified as low risk. All but two of the recommendations were accepted by management however the responses are deemed satisfactory as they explain that non- acceptance is due to a change in commitment. Details of the two recommendations not accepted are re reproduced below.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.3.1	A report should be written on AdvicePro that shows the number of cases reviewed as a percentage of total cases for both Welfare Rights and Money Advice Cases. If this is not possible, a manual record should be kept to evidence that approximately 5% of cases have been subject to a senior officer review.	Low	No	Commitment removed. Following discussions with SLAB for National Standards has been replaced with a minimum commitment of 3 cases per month per advisor. AdvicePro report created to evidence this	Brian Dunigan	06/06/2019
4.3.2	The procedure notes should be updated to reflect that 5% of cases will be subject to senior officer review.	Low	No	See above	Brian Dunigan	06/06/2019

14. MB/1089/NS HOUSING REPAIRS

The objectives of the audit were to ensure that:

- Written procedures for housing repairs are in place
- Housing repairs are carried out in accordance with legislation and the Councils agreed policy/procedures
- There is documentary evidence to support all housing repairs and maintenance transactions
- Property records are kept up to date
- All relevant records are updated to record repairs carried out
- All repairs and maintenance work is correctly carried out and valued
- All repairs and maintenance work is initiated and recorded promptly and carried out within the specified timescales
- All repairs and maintenance transactions are legitimate and appropriate
- There are mechanisms in place to ensure that repairs are completed to a satisfactory standard.

A review of the policies and procedures in place for housing repairs showed that these require to be updated as the corporate documents that they refer to are no longer in use. It was also noted that there are no detailed notes covering the daily and weekly processes carried out by employees. The risk associated with this is greater due to the high staff turnover and increased use of agency staff.

The sample of jobs taken showed that there are weaknesses in relation to evidence to support the agreement of owner/occupiers prior to carrying out the work and also significant delays between the works being completed and the invoices being issued.

It was also noted that there does not appear to be a formal process in place to ensure that the users of OHMS are still current employees who require access to the system, with this being done on an ad-hoc basis.

Ten recommendations were made, four were classified as medium risk and six as low risk. All recommendations were accepted by management however the timescale for completion for point 4.1.2 is deemed unsatisfactory however management have advised that this is due to the service redesign that is in progress and once this has been completed the procedures can then be prepared.

The medium risk recommendations are reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.1.2	A more detailed set of procedure notes should be written which provides more detail as to what employees are expected to do in each role and why.	Medium	Yes	Although there are high level procedures, it has been identified there is gap in detailed process maps. Housing Services are undertaking a review of the Housing Maintenance Team, including working Groups, outside consultants and its part in the overall Housing Services re-design/restructure. Our timescale for target completion for this exercise is after the completion of the Re-design of the Service.	Suzanne Conlin	31/3/2021
4.2.1	An annual review of OHMS users should be carried out by asking all departments to confirm that users still require access to the system. Documentary evidence of the exercise should be held as evidence of action taken.	Medium	Yes	This review was missed this year. However, the issue of all council leavers being notified to system owners needs to be reviewed. Housing Services will pick up other departmental leavers once a year, but updating should be more regular.	Suzanne Conlin	31/3/2020
4.4.1	An appropriate system requires to be established that provides evidence that rechargeable repairs have been agreed in advance with the tenant prior to the work being instructed.	Medium	Yes	An annual check will continue to be carried out and the results reviewed to ensure compliance with the audit recommendation.	Suzanne Conlin	Complete
4.8.1	An appropriate system requires to be established to ensure all contractors used by Housing Maintenance are being appropriately monitored by a named individual to ensure jobs are being completed in a timely manner and to the required quality.	Medium	Yes	Housing Services are undertaking a review of the Housing Maintenance Team, including working Groups, outside consultants and its part in the overall Housing Services re-design/restructure. This issue has been identified as needing resolved.	Suzanne Conlin	31/12/19

15. MB/1091/RM PARENTPAY – MUSIC TUITION

The objectives of the audit were to ensure that:

- Written procedures have been established covering all processes of parentpay music tuition

- Effective procedures are established for the management of instrumental debt including whether service is timeously withdrawn for non-payment
- All expected income can be accounted for and the financial ledger and parentpay system are reconciled on a regular basis
- Charges imposed agree to those approved by Cabinet
- Exemption/discounts are granted in accordance with policy
- Reporting/monitoring of payments made through parentpay is sufficient to allow reminder process to be applied and a specified time to pay following reminder is enforced
- Refunds due where pupils have been withdrawn from tuition are paid correctly
- There is transparency of all transactions for both parents and the Council
- Follow-up of recommendations made and accepted in the parentpay/cashless catering audit report issued July 2018 to ensure they have been implemented.

It is acknowledged that this current school year is the first year for which music tuition could be paid via parentpay and as such it is understandable that there were some initial teething problems. Parents are understood to appreciate the facility to be able to pay for music tuition through the parentpay system. Some of the provisions shown in the terms and conditions are not being adhered to and reconciliations are not being carried out between parentpay and the ledger to ensure that all expected income is being accounted for.

Fifteen recommendations were made, one was classified as medium risk and 14 as low risk. All recommendations were accepted by management.

The medium risk recommendation is reproduced below with the management response.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
4.6.1	The ledger and the parentpay system should be reconciled on a regular basis.	Medium	Yes	Budget Unit will now reconcile ParentPay and the ledger on a regular basis	Business Support Manager (B Taylor)	May 19

16. CC101 ADVOCACY SERVICES

A review of the evaluation process for advocacy services was carried out using contingency time following concerns being raised by an elected member and a member of the public. Five recommendations were made as a result of the review, two of which were classified as high risk, two as medium risk and one as low risk.

The main focus of the review was on the tender evaluation process and the decision taken not to progress to awarding the contract. This decision was against procurement advice at the time. The previous contract for advocacy services expired on 31 May 2018 however payments continue to be made (£158k as at 29/4/19) for services despite no contract being in place. Employees involved in evaluating tenders need to be adequately trained to ensure there is consistency in scoring.

The high and medium risk recommendations are reproduced below with the management responses.

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
------	----------------	-------------	-----------------	---------------------------	---------------------	--------------------------

Ref.	Recommendation	Risk Rating	Accepted Yes/No	Comments (if appropriate)	Officer Responsible	Timescale for completion
1.1	Audit should be advised of the intended start date of a new contract as soon as possible so that payments made out with a proper contractual basis can be kept to a minimum.	High	Yes	Once a decision has been taken to move to award a new contract the contract the accountancy and Contracts Manager will notify audit accordingly.	Accountancy and Contracts Manager	Ongoing
2.1	HSCP management should ensure that all evaluators for future tenders are fully trained and aware of the need to score contractors consistently based purely on the submission and provide adequate notes to justify their scoring.	Medium	Yes	Procurement have agreed to undertake a training session for evaluators prior to the evaluation of the tender. All employees who will undertake the evaluation of the tender have committed to undertake this training. In future Any new employees who will undertake the evaluation of tenders will also be trained	Commissioning and Planning Manager and Children's Services Strategy Manager	Ongoing
3.1	Cancellation of tenders should only be made with the agreement of procurement and where the circumstances fully justify the cancellation.	Medium	Yes	We will ensure that we seek agreement of procurement section regarding cancellation of any future tenders if required.	Commissioning and Planning Manager /Children's Services Strategy Manager	Ongoing
3.2	HSCP should provide details to Audit of the differences between the cancelled tender and the revised tender when it is issued.	High	Yes	The differences between the previous tender and the revised tender have been captured in the paper discussed and agreed with DMT on 13 th February 2019. This is attached for information. As with 3.1 should such circumstances arise in the future relevant information will be supplied.	Commissioning and Planning Manager	Complete

Risk Ratings for Recommendations

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

Efficiency	<ul style="list-style-type: none">• These recommendations are made for the purposes of improving efficiency, digitalisation or reducing duplication of effort to separately identify them from recommendations which are more compliance based or good practice.
-------------------	--

BLANK PAGE

EAST RENFREWSHIRE COUNCIL
Internal Audit Section

QUARTERLY PERFORMANCE INDICATORS

<u>Internal Audit Indicators reported Quarterly</u>	Target (where applicable)	Quarter 4 Actual	Cumulative 2018/19
2. Audit Coverage.			
2.2 Actual direct audit days as a percentage of total days available	75%	84%	77%
2.3 Number of requests for assistance/queries raised by departments outwith planned audit work.	-	1	9
2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence)	<100%	17%	39%
5. Issue of Reports.			
5.1 Number of audit reports issued per quarter.	-	14	40
5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1)	12 weeks	17.7 weeks	13.7 weeks
5.3 Ave. time taken to issue report (working days). (Note 2)	10 working days	8.1 working days	11.1 working days

Notes

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

BLANK PAGE

EAST RENFREWSHIRE COUNCIL**AUDIT AND SCRUTINY COMMITTEE****20 June 2019****Report by Chief Auditor****INTERNAL AUDIT ANNUAL REPORT 2018/19****PURPOSE OF REPORT**

1. To submit to Members an annual report on the activities of internal audit during 2018/19 and to provide an independent audit opinion on the adequacy and effectiveness of the Council's governance, risk management and internal control systems based on work undertaken in 2018/19.

BACKGROUND

2. The internal audit service is an autonomous unit within the Chief Executive's Office. The service objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of the council's resources. Independence is achieved through the organisational status of internal audit and the objectivity of internal auditors. The council's financial regulations require that an annual report containing an assurance statement and summarising internal audit's activities during the year is submitted to the Audit and Scrutiny Committee.

ANNUAL REPORT 2018/19

3. The 2018/19 strategic audit plan was approved by the Audit and Scrutiny Committee on 19 April 2018. The attached annual report (Appendix 1) summarises the audit work carried out during the year. The internal audit annual statement of assurance is contained within appendix A of the report and concludes that reasonable assurance can be placed upon the adequacy and effectiveness of the council's governance, risk management and internal control systems in the year to 31 March 2019.

RECOMMENDATION

4. The Committee is asked to note the annual statement of assurance on the adequacy of governance, risk management and internal control systems and submit it to the Council.

5. The Committee is asked to note the contents of internal audit's annual report 2018/19.

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

M Blair, Chief Auditor
11 June 2019

BLANK PAGE

APPENDIX 1

INTERNAL AUDIT ANNUAL REPORT 2018/19

CONTENTS	Page No
1. Introduction	1
2. Internal Control Framework	1
3. Achievement of Annual Audit Plan	2
4. Summary of Audit Activities 2018/19	4
5. Compliance with Public Sector Internal Audit Standards (PSIAS)	5
6. Internal Audit Performance Indicators	5
7. Annual Internal Audit Opinion	6
8. Conclusion	6
Appendices	
A Annual Assurance Statement on the Adequacy of Internal Control	7
B Internal Audit Performance Indicators 2018/19	9
C PSIAS Quality Assurance Improvement Programme	10
D Achievement of Annual Audit Plan 2018/19	12

Chief Auditor
11 June 2019

BLANK PAGE

INTERNAL AUDIT ANNUAL REPORT 2018/19**1. INTRODUCTION**

- 1.1 The responsibilities and duties of Internal Audit are summarised in the Council's Financial Regulations which state:

'The primary role of Internal Audit is to provide assurance to the Council on the adequacy of its control environment. Internal Audit will carry out independent examinations of financial and related systems of the Council to ensure the interests of the Council are protected.'

- 1.2 Internal Audit's purpose, authority and responsibilities are set out in more detail in the Audit Charter.
- 1.3 Internal Audit activity during the year was based on the planned work contained in the Annual Audit Plan approved by the Audit and Scrutiny Committee on 19 April 2018. The Annual Plan is derived from the 5 year rolling Strategic Audit Plan which is compiled following a risk based internal audit needs assessment and following consultation with members of the Corporate Management Team, External Audit and elected members.
- 1.4 The audit service is provided by five members of staff of which four employees (3.7 FTE) hold a relevant professional qualification. There is currently one qualified post vacant which it is hoped will be filled soon.
- 1.5 The service operates in compliance with the Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013.
- 1.6 The assistance afforded by council staff to Audit during the course of work carried out in 2018/19 is gratefully acknowledged and senior management and elected members are thanked for the due regard given to the work of internal audit.

2. INTERNAL CONTROL FRAMEWORK

- 2.1 In order to ensure the proper conduct of its business, the Council has a responsibility to develop and implement systems of internal control. The presence of an effective internal audit function contributes towards, but is not a substitute for, effective controls and it remains primarily the responsibility of line management to ensure that internal controls are in place and are operating effectively. A sound control system will help safeguard assets, ensure records are reliable, promote operational efficiency and ensure adherence to Council policy and procedures. Such systems of internal control can provide only reasonable and not absolute assurance against loss.
- 2.2 As part of its Standing Orders and in order for the business of the council to be dealt with in an efficient manner, the council has in place both a Scheme of Administration and Scheme of Delegated Functions. The former indicates the business to be dealt with by the various bodies of the council, whilst the latter gives details of the authority delegated to officers by the council. In addition to this, a comprehensive set of approved Financial Regulations (recently updated in June 2017) are in place, which ensure that the financial administration of the council is dealt with in a proper manner. The council's Financial Regulations incorporate the requirement that an Annual Audit Report showing the activity of the Internal Audit service and progress achieved against the plan shall be presented to the Audit and Scrutiny Committee each year. Contained within this report shall be an assurance statement on the adequacy of controls.

- 2.3 The Audit and Scrutiny Committee's terms of reference require it to evaluate the internal control environment and provide an annual statement to the Council. To assist with this evaluation, Internal Audit is required to provide the Audit and Scrutiny Committee with an annual statement on the adequacy and effectiveness of internal control.

3. ACHIEVEMENT OF ANNUAL AUDIT PLAN

- 3.1 Internal audit activity during the year was undertaken in accordance with the annual internal audit plan. The results of internal audit's progress against the annual plan has been reported to Audit and Scrutiny Committee quarterly and is summarised in Appendix D. The 2018/19 plan was completed with all planned outputs delivered except for one which was deferred into 2019/20 and no IJB specific audit being carried out.

The 2018/19 plan provided 741 (738 2017/18) direct audit days (i.e. excluding 243 days for planning, reporting, administration, training, consultancy work, seminars, secondments and meetings) spread across various audit activities and council departments. The actual number of audit days achieved was 719. Details of audit work carried out analysed by type of audit is shown in table 1 below.

Table 1 – Audit Work by Type of Audit

Type of Audit	Planned Days 2018/19	Actual Days 2018/19	Variance in days
Systems and Regularity	436	504	(68)
Contract	42	40	2
Computer	36	36	0
General and Fraud Contingency and NFI	105	39	66
Performance Indicators	10	11	(1)
Follow up of previous year	50	54	(4)
Grant Certification	22	8	14
Trust	20	23	(3)
IJB	20	4	16
Total	741	719	22

- 3.2 Internal audit issued 40 reports and memos relating to 2018/19 audit work which contained in excess of 300 recommendations in total. Details of all reports issued were included in the quarterly progress reports during the year. Six of the reports were issued after the year end and one further report has yet to be issued. Satisfactory responses have now been received for all audit reports relating to 2018/19 except for MB1090RM City Deal for which the deadline given for management response has not yet passed.
- 3.3 There were nine reports where management did not accept all of the recommendations contained in the reports. Details of these have been provided to the Audit and Scrutiny Committee during the year within the quarterly progress reports. In total, 12 recommendations were not fully or only partially accepted but reasonable explanations were provided to support the response and therefore all were considered satisfactory. The reports and details of recommendations not fully accepted were:

- MB1057RM HSCP follow-up (1) – medium risk

- MB1061RM Environment follow-up (1) – medium risk
 - MB1062FM Vehicle Services (1) – low risk
 - MB1066RM Community Benefits (2) – both low risk
 - MB1072EL Education follow-up (1) – low risk
 - MB1075NS Insurance arrangements (1) - low risk
 - MB1076RM Council tax reductions and liability (2) – one low, one medium risk
 - MB1079FM Payroll (1) – medium risk
 - MB1088FM MART (2) – both low risk
- 3.4 Management are effectively accepting the associated risks of not implementing the recommendations. Internal audit's approach always attempts to be constructive and this appears to have been welcomed by departments. Four of these 10 recommendations were classified as medium risk, the remaining six were all classified as low risk. Details of the four medium risks which were not accepted are as follows:
- 3.5 One point was within the HSCP follow-up report. The recommendation related to the need for authorisation for specific children by care managers for fostering, adoption and kinship payments. The current practice is that notification is received from the relevant team manager regarding issuing payment. This notification may or may not clearly specify which children's payments are being authorised and management consider the current practice to be adequate.
- 3.6 One point was within the environment follow-up report. The recommendation related to the length of time that back-up documentation for the roads job costing system was retained for as it was a shorter period than used for other council systems. The management response indicated that it considered the 10 day retention period for transactional data to be adequate and therefore are deemed to accept the associated risks of a shorter retention period.
- 3.7 One of these points was within the council tax reductions and liability report. The recommendation related to visits carried out to empty properties to ensure that exemptions granted were legitimate. Management had advised that empty properties are not routinely visited due to limited resource but visits are made in vulnerable cases, where there is doubt about awarding a reduction or there is something suspicious however details of the properties visited could not be provided. Audit recommended that analysis should be carried out to identify the highest risk properties and visits carried out on these as a minimum. Management did not accept this as they are of the view that current visits which take place already target high risk cases. In the absence of being able to demonstrate which visits have taken place and that all high risk properties have been identified and visited, management are deemed to accept the associated risks. It is acknowledged that management intend to put in place reports which will identify which visits have taken place.
- 3.8 The other medium recommendation which was not accepted was within the payroll audit and related to directors implementing a process to ensure that a leavers checklist is completed for every employee who leaves the council to confirm system access is removed and all council equipment etc is returned. Management did not accept this point and indicated that with the current system it is not possible for directors to implement a process to ensure that a leavers checklist is filed however a reminder memo was widely circulated throughout the council to encourage this practice.

- 3.9 An excellent working relationship exists between internal audit and Audit Scotland, the council's appointed external auditors. Information on audit planning and the progress of audit work is regularly exchanged on an informal basis which helps avoid duplication of effort and maximises audit resources. Audit Scotland review the work of internal audit annually to consider whether reliance can be placed on internal audit's work and it is pleasing to be able to report that Audit Scotland continue to be able to place reliance on internal audit's work as the standard of work meets their requirements.

4. SUMMARY OF AUDIT ACTIVITIES 2018/19

- 4.1 Internal Audit carried out a range of activities throughout the year, however systems and regularity based reviews continue to represent two of the main elements of planned activity. Systems reviews focus on identifying, assessing and testing the adequacy and effectiveness of controls in place to ensure the underlying objectives of the system are met whereas regularity focuses more on compliance testing. The key systems and regularity audits carried out were as follows:

- Debtors
- Vehicle Services
- Payroll
- Creditors
- Contract – Quick quotes
- Housing benefits
- Council tax reductions and liability
- Housing Repairs
- HSCP Self Directed Support Charges
- Home Care services

- 4.2 Overall, the audit findings suggested that whilst some weaknesses were identified and some elements of control were only partially in place, when taken with other findings they did not significantly impair the overall systems of internal control in the areas reviewed.
- 4.3 In addition a number of other types of audit were carried out such as computer audit and performance indicators. Following each audit, a report detailing appropriate recommendations to address weaknesses in systems and procedures was issued. In general, audit results suggested that although errors and weaknesses were often noted they were not considered to be generally indicative of absent or inadequate controls and that broadly, the level of compliance was satisfactory.
- 4.4 **Follow-up audits:** An ongoing programme of follow-up audits is also carried out to ensure that recommendations previously made by Internal Audit and accepted by management have been implemented. No responses are outstanding in relation to follow-up audit reports issued during the year.
- 4.5 **General contingency:** Two specific requests for assistance/consultancy or guidance on queries/anomalies were received during the year, neither of which resulted in actual financial loss to the council. One of these was a request to audit the climate change report and the other related to a query in respect of a tender evaluation exercise raised by member of the public and an elected member. Details of this were provided in the quarter 4 progress report.
- 4.6 **Fraud contingency:** Internal Audit also has responsibility for investigating as appropriate all alleged frauds and irregularities which have been brought to our attention in accordance with the Council's Anti-Fraud and Bribery Strategy. The number of frauds and irregularities and the level of resources required to investigate them are always difficult to estimate. Seven potentially fraudulent matters brought to Audit's attention were investigated during the year using budgeted fraud contingency time. In each case which warranted investigation, the matter was brought to a

conclusion and recommendations were made to the relevant director on how to improve controls. Three of these involved a cost or loss to the council. Two were for amounts less than £400 (missing/unaccounted for cash and loss/theft of equipment) and the third relates to theft of various pieces of equipment from a council location with an estimated value of £7,400. Each of these three incidents were notified to the police.

- 4.7 None of the other items investigated involved loss of income or additional cost to the council.
- 4.8 Various methods of encouraging employees and members of the public to whistleblow or bring matters of concern to the attention of Audit (either anonymously or not) are in place and are used to varying degrees. These are by e-mail via a link on the council's website, by post using a freepost address and by phone to a dedicated phone number within Internal Audit.
- 4.9 Frauds and irregularities included in Audit Scotland's quarterly Fraud Digests were also considered in relation to practices within the Council, to proactively try and identify potential weaknesses and ensure that appropriate measures have been taken or are in place to prevent these happening within East Renfrewshire.

5. COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

- 5.1 In 2017/18, an external assessment of PSIAS was carried out and submitted to the Audit and Scrutiny Committee in June 2018. The results of that review confirmed that the Internal Audit function has sound documentation standards and reporting procedures in place and complies with the main requirements of PSIAS.
- 5.2 An internal self assessment of compliance with PSIAS was subsequently carried out and the results presented to the Audit and Scrutiny Committee in June 2019. The self assessment concluded that the internal audit service were fully compliant with 95% of the standards and partially compliant with a further 4%. This is broadly in line with the findings of the external assessment.
- 5.3 A Quality Assurance and Improvement Plan (QAIP) was prepared as part of the self assessment review and is included in Appendix C. Actions arising from both the external and internal assessments are included. All actions from the external assessment have now been implemented.
- 5.4 One of the requirements of the PSIAS is that the internal audit service must be free from interference in determining the scope of internal auditing, performing work and communicating results. I can confirm that during 2018/19, the internal audit service has operated without any such interference.

6. INTERNAL AUDIT PERFORMANCE INDICATORS

- 6.1 In January 2008, the Audit Committee approved revised key performance indicators to be used to measure Internal Audit's performance. Some of these indicators have been reported to the Audit and Scrutiny Committee on a quarterly basis, whereas it is only appropriate to report others on an annual basis.
- 6.2 A summary of all the indicators is given in Appendix B with the targets and actual achievement for the full year. Three of the targets were not met;
- 2.1 which measures actual direct audit days compared to planned days,
 - 5.2 which measures the time to complete an audit and
 - 5.3 which measures the time to issue a report.

Indicator 2.1 was impacted by a reduced staffing level in the final quarter of the year. Indicators 5.2 and 5.3 are linked and failure to meet the targets were again impacted by slow responses from departments for some audits to allow reports to be cleared.

7. ANNUAL INTERNAL AUDIT OPINION

- 7.1 There is a formal requirement for the Chief Auditor to prepare an annual report which contains an assurance statement on the adequacy of governance, risk management and internal control systems. Such systems need to be monitored so that management and Members may be sure that they continue to be effective. Monitoring of controls is done at a number of levels, for example, assessment by line management, internal audit and external audit review and subsequent reporting to management of identified weaknesses and recommendations, and monitoring by the Audit and Scrutiny Committee. If monitoring of control is to be effective, then senior management must foster an environment where internal control is the responsibility of all staff.
- 7.2 The Internal Audit Annual Statement of Assurance is included in Appendix A. The evaluation of the control environment is informed by a number of sources as detailed in the appendix.
- 7.3 In reviewing these different sources of evidence, consideration has to be given as to whether any key controls are absent or ineffective and when taken together with other findings, would lead to the conclusion that the overall system of control has been significantly impaired as a result.
- 7.4 Based on the information available to me, my formal annual statement of assurance did not lead me to conclude that the Council's overall systems of governance, risk management and internal control were significantly or materially impaired.

8. CONCLUSION

- 8.1 The 2018/19 audit year was satisfactory for Internal Audit as the audit plan was substantially completed despite a reduction in staffing levels in the latter part of the year due to an internal secondment. External audit continued to place reliance on the work of the service and a reasonable level of performance was achieved against the indicator targets set.

APPENDIX A

INTERNAL AUDIT ANNUAL STATEMENT OF ASSURANCE FOR 2018/19

As Chief Auditor of East Renfrewshire Council, I am pleased to present my annual statement on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council for the year ended 31 March 2019.

Respective Responsibilities of Management and Internal Audit in relation to Governance, Risk Management and Internal Control

It is the responsibility of the Council's senior management to establish appropriate and sound systems of governance, risk management and internal control and to monitor the continuing effectiveness of these systems. It is the responsibility of the Chief Auditor to provide an annual overall assessment of the robustness of governance, risk management and internal control.

The Council's Framework of Governance, Risk Management and Internal Controls

The main objectives of the Council's framework of governance, risk management and internal control are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Council is continually seeking to improve the effectiveness of its systems of governance, risk management and internal control.

The work of Internal Audit

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

During 2018/19, the internal audit service operated in accordance with the Public Sector Internal Audit Standards (PSIAS). A self assessment was carried out and submitted to the audit and scrutiny committee. This review concluded that the internal audit service continues to operate in compliance with the Public Sector Internal Audit Standards. A quality assurance improvement plan has been developed to further enhance compliance and is included within the appendices. External audit have also considered the work of internal audit and did not raise any issues.

The service undertakes an annual programme of work approved by the Audit 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.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that an appropriate action plan is provided in response to audit recommendations. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters arising from internal audit work are reported to the Chief Executive and the Council's Audit and Scrutiny Committee. Follow up work is carried out by Internal Audit to ensure that recommendations previously accepted by management have been implemented. Copies of these reports are circulated to members of the Audit and Scrutiny Committee.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work undertaken by Internal Audit during the year to 31 March 2019 and material findings since the year end
- The audit work undertaken by Internal Audit in previous years
- The assessment of risk completed during the preparation of the strategic audit plan
- Assessments of the general control environment within individual departments as completed by each director
- Reports issued by the Council's external auditors and other review and inspection agencies
- Knowledge of the Council's governance, risk management and performance monitoring arrangements
- Any other items brought to the attention of internal audit staff by whatever means which may warrant further investigation.

Opinion

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2019.

Michelle Blair FCA
Chief Auditor

5 June 2019

Internal Audit Performance Indicators 2018/19

Indicator	Definitions (where required)	Target (where applicable)	Actual 2018/19	Actual 2017/18	Actual 2016/17
1. Cost					
1.1 Cost of Internal Audit per productive day.	Productive days are those spent on direct audit activities.	-	£322	£363	£346
2. Audit Coverage					
2.1 Actual direct audit days as a % of planned direct audit days per the plan.	Planned direct audit days as detailed in the strategic audit plan.	100%	97%	103%	108%
2.2 Actual direct audit days as a percentage of total days available.	Days available exclude public holidays, annual leave and sickness absence.	75%	77%	77%	79%
2.3 Number of requests for assistance/ queries raised by departments outwith planned audit work.	This will generally include most items met from general and fraud contingency. This is contextual information only.	-	9	11	12
2.4 Percentage of planned contingency time used.	Actual contingency time used as a percentage of total planned contingency time. This is mainly for contextual information	<100%	39%	100%	62%
3. Quality					
3.1 Number of questionnaires issued during the year. (Note: questionnaire sent electronically so this now records the number of responses)			18	12	19
3.2 Percentage of customer questionnaires with overall rating of satisfactory or better.		90%	100%	100%	89%
3.3 Percentage of established audit posts (FTE) at year end filled by staff with relevant professional qualification.		45%	57%	78%	78%
4. Achievement of Plan					
4.1 No of audits achieved as a percentage of all audits planned during the year.	Total number of audits defined as number per strategic annual plan. Number achieved defined as number of audits from plan which were started during the year.	90%	95%	96%	100%
5. Issue of Reports					
5.1 Number of audit reports issued		-	40	41	48
5.2 Average time in weeks from start of fieldwork to issue of report.	Start of fieldwork defined as when auditor starts gathering information or preparing file. Initial phone call to set up the audit would not be counted as start of fieldwork.	12 weeks	13.7 weeks	16.2 weeks	12.2 weeks
5.3 Average time taken to issue report (working days).	Speed of issue of report is measured from date file is handed to Chief Auditor for review to date of issue of report. GENERAL Average weeks calculated as working days divided by 5. Working days exclude weekends, public holidays, annual leave, training and sickness absence.	10 working days	11.1 working days	12.0 working days	8.8 working days

BLANK PAGE

QUALITY ASSURANCE IMPROVEMENT PLAN (QAIP) AS AT MAY 2019

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
1	EA 2018	Reporting of PSIAS Self Assessment A self-assessment against PSIAS was undertaken by the Chief Internal Auditor and this was reported to the Audit and Scrutiny Committee in September 2016. However, the results of this were not included in the Annual Report.	It is recommended that compliance is enhanced by completing the self assessment against PSIAS annually and reporting on it in the Annual Report as part of a statement on the internal audit function's Quality Assurance and Improvement Programme.	Implemented. PSIAS self assessments carried out June 2019 and QAIP included within the Annual Report.	N/A
2	EA 2018	Reporting to the Audit and Scrutiny Committee The Audit Plan is formally approved by committee and progress against the annual audit plan is reported on a quarterly basis to the Audit and Scrutiny Committee and adjusted if required. The process for allocating resources against the plan appears reasonable. Verbal updates are given by the Chief Auditor on significant risks identified but these updates are not provided in writing ahead of the committee meetings.	Consideration should be given to, as a minimum, providing some written detail to the Audit and Scrutiny Committee on the nature and number of High risk issues raised, including those not accepted by management, with the aim of enhancing visibility and scrutiny.	Implemented. The quarterly progress reports provided to audit and scrutiny members were expanded to include more information about findings/recommendations from 2018/19 quarter 1 onwards.	N/A
3	EA 2018	Retention of audit evidence Procedures are in place to identify, document, analyse, and evaluate evidence gathered during the audit engagement. Paper audit files are maintained and these are generally well organised and clear to follow. The quality and quantity of evidence retained is generally deemed sufficient but minor instances have been	It should be ensured that sufficient detail is retained on file to enable a third party to fully understand the detail of the work undertaken.	Implemented. The Chief Auditor ensures that cross referencing within files is adequate to allow a third party to understand the detail of the work undertaken.	N/A

Ref	Source (SA – Self Assessment EA – External Assessment)	Finding	Proposed action/recommendation	Progress	Target Date
		noted where the quality could be improved to enable a third party to understand the detail of the work undertaken.			
4	EA 2018	Annual Audit Opinion The overall audit opinion on internal controls is provided in the annual report. Significant areas of concern are highlighted in the audit opinion. However, an opinion is not provided on governance and risk management.	Compliance with PSIAS could be further enhanced by concluding on the overall effectiveness of the council's framework of governance and risk management.	Implemented. This was addressed in the assurance statement included within the Annual Report for 2017/18.	N/A
5	SA 2019	Standard 2430 Use of "Conducted in Conformance with the PSIAS" only if the results of the QAIP support such a statement	Include a statement in all audit reports that the audit has been conducted in conformance with PSIAS.		Sept 2019
6	SA 2019	Standard 1110 – the internal audit service must be free from interference in determining the scope of internal auditing, performing work and communicating results. The Chief Auditor must disclose such interference to the Audit and Scrutiny Committee and discuss the implications.	A statement will be included in the 2018/19 Annual Report.	Implemented June 2019.	N/A

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ACHIEVEMENT OF ANNUAL AUDIT PLAN FOR 2018/19

Department	Title		Audit Number	No. of days	Status
Chief Executives	VAT		1	12	Complete
Corporate & Community	Council Tax – reductions and liability		2	24	Complete
	Creditor Payments		3	15	Complete
	Debtors control		4	10	Complete
	Housing Benefit/ Universal Credit		5	30	Complete
	Income Maximisation, money advice, welfare rights		6	30	Complete
	Insurance Arrangements		7	8	Complete
	Members' Expenses		8	12	Complete
	Payroll		9	25	Complete
	Application controls – Payroll/HR		10	18	Complete
	Education	Parentpay		11	18
Schools Cluster 1 – St Lukes			12	32	Complete
Operation of Trust			13	15	DEFERRED
Wraparound care			14	35	Complete
Environment	Project management of capital projects		15	22	In progress
	City Deal		16	15	Complete
	Grant Certification		17	22	Complete
	State Aid		18	10	Complete
	PPP projects		19	15	Complete
	Vehicle Services		20	12	Complete
	Year end Stocktake		21	5	Complete
Housing	Housing Repairs		22	20	Complete
HSCP	HSCP Health Care Centres and area offices – Barrhead Health and Care Centre		23	8	Complete
	HSCP Emergency payments (sect 22 & 12)		24	8	Complete
	HSCP Self Directed Support Charges		25	20	Complete
	Home Care Services		26	22	Complete
	IJB		27	20	Time not used
Trust	Community and Leisure Limited		28	20	Complete
Other	NFI		29	5	Complete
Various	Application controls – ICON cash receipting		30	18	Complete
	Contract 1– Community Benefits		31	8	Complete
	Contract 2 – Quick Quotes		31	12	Complete
	Mobile phones		32	15	Complete
	Fraud Contingency		33	70	Complete
	General Contingency		34	30	Complete
	LG Benchmarking Framework payment of invoices		35	5	Complete
	LG Benchmarking Framework equal opportunities		35	5	Complete
	Follow-up		36	50	Complete
	Previous year audits		37	20	Complete
			Total	741	

BLANK PAGE

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

20 June 2019

Report by Chief Executive

Proposed Guide to Scrutiny and Review

PURPOSE OF REPORT

1. To provide the Audit and Scrutiny Committee with enhanced guidance on scrutiny, review and evaluation arrangements, within the overall context of Best Value, in East Renfrewshire Council.

RECOMMENDATIONS

2. It is recommended that the committee:-
- (a) considers the draft guidance on scrutiny and review, within the overall context of Best Value in East Renfrewshire Council;
 - (b) recommends to the Council that the draft *Guide to Scrutiny and Review* be approved, making it available to all Committees and Members of the Council for their use;
 - (c) considers the 2019/20 annual work plan to the extent it has been developed thus far; identifies other specific areas of work for review to be scoped further; and agrees the scope of a detailed review to be progressed over the forthcoming months; and
 - (d) notes that a further update of the work plan will be submitted to next meeting.

BACKGROUND

3. The Audit of Best Value in East Renfrewshire Council took place in 2017, and overall, was very positive. The Audit contained a recommendation that Elected Members should take a more transparent and active role in scrutiny. Progress has been made subsequently on a range of scrutiny issues including:-

- the delivery of a new programme of essential scrutiny skills training for Elected Members
- the change in arrangements at meetings of the Cabinet involving officers, where appropriate, presenting reports instead of Members, which has led to an increase in the level of questions being asked by Members
- most recently, the appointment of a Scrutiny and Evaluation Officer, whose remit includes supporting the work of the Audit and Scrutiny Committee, for example in the undertaking of reviews on individual pieces of work identified by Members

4. To complement the above, a *Guide to Scrutiny and Review* has been prepared (see Appendix A). The advice provided in the *Guide* is intended primarily for Members of the Audit and Scrutiny Committee to help them identify specific issues they wish to review and progress related work and, once approved, the *Guide* will be available to all Elected Members, and Committees of the Council.

5. As well as the *Guide* being available to assist Elected Members in their decision-making around scrutiny, review and evaluation, the development of a work plan is proposed for the Audit and Scrutiny Committee, starting with one for 2019/20 (see Appendix 4 to *Guide*).

6. The *Guide* has been prepared in the overall context of Best Value in the Council. It includes advice on good practice; what could be within and outwith 'scope' for scrutiny reviews; questioning techniques; and selection and rejection criteria for reviews. It also provides links to related documents.

7. To help the committee determine what detailed scrutiny and evaluation work it wishes to include in its work plan for the current year, a list of examples of potential topics has been prepared (See Appendix 2 to *Guide*). The list includes policy areas discussed by the Cabinet, Council etc. over the past 5 years or so and reflects feedback from the Corporate Management Team. A further list has also been provided (See Appendix 3 to *Guide*), of topics which have been the subject of audit/scrutiny reviews by some selected local authorities in Scotland and England, the majority of which also have Cabinet systems.

8. These lists have been provided for the Audit and Scrutiny Committee to reflect on as areas for potential review which would form part of the committee's work plan for 2019/20. The committee has both an audit and a scrutiny role, and regularly considers reports on risk management, the Internal Audit Plan, related progress reports, External Audit issues, treasury management and the Annual Accounts and Audit Report to the Council. Taking account of the appointment of the Scrutiny and Evaluation Officer referred to previously, scope now exists to complement that work by scheduling more in-depth review work to be progressed by the committee.

FINANCE AND EFFICIENCY

9. The post of Scrutiny and Evaluation Officer has been funded on a 1 year basis on a ring fenced basis as a result of a decision of Council in March 2018. There are no additional financial implications arising from this report, but efficiencies in terms of savings, improved working practices, or service delivery may be derived from the outcomes of reviews undertaken.

CONSULTATION

10. Informal Meetings with Members of the Audit and Scrutiny Committee have taken place, such as on 31 May, to discuss the draft *Guide*, and help identify potential areas which the committee might wish to review. The Corporate Management Team have also had an initial conversation on the way forward.

CONCLUSION

11. This report has been prepared as part of the ongoing commitment to develop scrutiny, review and evaluation arrangements within the context of Best Value in the Council.

RECOMMENDATIONS

12. It is recommended that the committee:-

- (a) considers the draft guidance on scrutiny and review, within the overall context of Best Value in East Renfrewshire Council;
- (b) recommends to the Council that the draft *Guide to Scrutiny and Review* be approved, making it available to all Committees and Members of the Council for their use;
- (c) considers the 2019/20 annual work plan to the extent it has been developed thus far; identifies other specific areas of work for review to be scoped further; and agrees the scope of a detailed review to be progressed over the forthcoming months; and
- (d) notes that a further update of the work plan will be submitted to next meeting.

Chief Executive
6 June 2019

Report author: Scrutiny and Evaluation Officer in liaison with the Clerk to the Committee (0141 577 8788)
E-mail address: charles.leleux@eastrenfrewshire.gov.uk

Background Papers

A range of guidance on scrutiny and evaluation

BLANK PAGE



EAST RENFREWSHIRE COUNCIL

Guide to Scrutiny & Review

BLANK PAGE

CONTENTS

	Page
Introduction	3
1. Why is Scrutiny Important	5
2. What Should be Scrutinised	6
3. How do we Carry out Scrutiny	10
4. Conclusion	15
Appendix 1 Terms of Reference of Audit and Scrutiny Committee	17
Appendix 2 Examples of Policies/Strategies Discussed in Past 5 Years by Cabinet/Council etc.	19
Appendix 3 Sample List of Audit and Scrutiny Review Areas Conducted by Other Local Authorities in Scotland and England	21
Appendix 4 Audit and Scrutiny Committee Forward Work Plan 2019-2020	23
Appendix 5 Scrutiny and Evaluation Review Flowchart	27
Appendix 6 Scoping and Progressing a Scrutiny and Evaluation Review	29

BLANK PAGE

INTRODUCTION

The advice provided in this *Guide to Scrutiny and Review* is primarily for members of the Audit and Scrutiny Committee to help them undertake robust scrutiny, but will also be useful to all Elected Members whose role as a Council, Cabinet or Committee member involves scrutiny.

Good scrutiny plays an important part in demonstrating good governance and ensuring public confidence in Scotland's councils. As highlighted by the Improvement Service (IS), "*the overall objective of scrutiny is improvement*" and it is "*less about the activities that services undertake than it is about the outcomes they deliver.*" The IS highlights the importance of this function in the face of reducing resources, considering it an investment in improvement.

Scrutiny can be undertaken as part of the ongoing operations of the Council, through meetings of the Council, Cabinet, and the Committees and Boards which have a scrutiny function e.g. scrutiny of performance, scrutiny of proposed policies, and scrutiny of the effectiveness of policies. The convention which has been followed within East Renfrewshire Council is for reports on investigations by the Audit and Scrutiny Committee to be recommended for consideration and approval to the Cabinet. This helps to ensure that there is separation of roles between the two bodies and minimises the risk of any overlap in terms of scrutiny. An area of scrutiny could also include an integrated team, and as a result, may involve wider scrutiny and engagement with another body such as the Health Board.

The Council's Scheme of Administration specifies issues for which each of the Council's main bodies, including the Council itself, are responsible. The Audit and Scrutiny Committee has an audit and scrutiny role and its full remit (see Appendix 1) covers both financial and non-financial performance. In relation to financial controls, these are covered by the role of the Chief Auditor. The committee's remit includes for example: promoting internal controls; reviewing the control environment; developing an anti-fraud culture; promoting good financial practice; agreeing the internal audit strategy; reviewing internal and external audit reports; and considering some decisions made by the Cabinet that are called in for scrutiny. Its remit also includes other aspects of scrutiny i.e. "*to review the performance of the Council in terms of:-*

- *service delivery*
- *the processes by which policy decisions have been taken*
- *the substance of a particular policy and how it fits in with the overall objectives of the Council*
- *the effectiveness of a policy in terms of implementation"*

When conducting reviews, the Audit and Scrutiny Committee may refer to concerns which they have about performance in the reports that they prepare and submit to Cabinet. Scrutiny can also be undertaken externally. For Scottish councils, the work of external scrutiny bodies is coordinated and results in an annual Local Scrutiny Plan. The plan is based on a Shared Risk Assessment undertaken by the Local Area Network (LAN) of external scrutiny bodies, such as Audit Scotland, the Care Inspectorate, Education Scotland and the Scottish Housing Regulator. The LAN brings together such bodies with the aim of improving the coordination of strategic scrutiny activity amongst them.

This new *Guide to Scrutiny and Review* has been prepared in the overall context of Best Value in the Council. It complements the wide range of guidance already available to all Members on scrutiny, including documents published by the IS. These documents are accessible on the Councillors' intranet pages but are also available through the following link ([Improvement Service Guide on Scrutiny](#)).

The *Guide* includes advice on good practice on scrutiny; what could be within and outwith 'scope' for scrutiny reviews; questioning techniques, and considers selection and rejection criteria for reviews. It also comments on critical success factors as well as providing links to other documents that already exist, such as on performance. Finally, it refers to the preparation of an annual work plan for the Audit and Scrutiny Committee.

1. WHY IS SCRUTINY IMPORTANT

Under the Local Government (Scotland Act) 2003, Councils have a statutory duty to make arrangements to secure Best Value, which requires them to:-

- Work with their partners to identify a clear set of priorities that respond to the needs of their local communities
- Make arrangements to deliver those priorities
- Demonstrate they are meeting their community's needs
- Operate in a way that drives continuous improvement in its activities

To be successful, the approach adopted to scrutiny should take all such issues into account, and help embed the principles of Best Value and related good practice criteria set out by Audit Scotland, including, for example, Best Value 'Toolkits'.

Four principles have been developed by the Centre for Public Scrutiny which it argues should underpin Councils' approaches to scrutiny. It should:-

- Provide a 'critical friend' challenge to executive policy-makers and decision makers
- Reflect the voice and concerns of the public
- Be carried out by 'independent minded governors' who lead and own the scrutiny role
- Drive improvement in public services

Critical success factors of effective scrutiny in the Council, such as those to be used by the Audit and Scrutiny Committee, include that:-

- Reviews should be undertaken within the overall context of Best Value
- Reviews should demonstrate clear links to the strategic priority areas of the Community Plan and the Council's strategy Vision for the Future
- Reviews should be undertaken in a spirit of mutual respect

Objectives for scrutiny would include:-

- Management of risk
- Improved working practices
- Improved service delivery
- Securing financial savings and other efficiencies
- Identifying opportunities for further exploration

2. WHAT SHOULD BE SCRUTINISED

This guidance, which is meant to be advisory and not prescriptive, has been produced to help Elected Members initially identify topics, and progress related work, which could be the subject of scrutiny and review evaluations.

The selection of topics for review by the committee is an ongoing matter. Examples of the types of initial questions Elected Members may wish to ask themselves, when considering what might be useful to look at in more depth, are as follows:-

How would scrutiny benefit East Renfrewshire residents?

How would scrutiny add value (e.g. improve service delivery)?

Do performance indicators suggest an area should be reviewed?

Would scrutiny help deliver savings or efficiencies?

Has a risk or issue been highlighted in an audit report?

Would work the Council does in partnership with other organisations merit review?

To avoid poor topic selection, an objective and structured approach to determining which potential topics should be subject to detailed scrutiny and review can help. Potential selection and rejection criteria are provided in the following table. The selection criteria is not a check-list requiring all of the selection criteria having to be met for a single investigation:-


Selection Criteria	Rejection Criteria
Policy to be reviewed has been implemented for at least one year	Policy to be reviewed has been implemented within the last year
A policy gap has been identified	Policy is in place or is planned for a service
To help focus on all areas of service, preferably the area concerned has not been the subject of a scrutiny review in the past year	The area of service concerned has been the subject of a scrutiny review in the past year, or scrutiny has been carried out by another committee
Area of review would add value to one or more of the 5 strategic outcomes of the Community Plan	Review would not meet the Community Plan outcomes
The review will benefit residents of East Renfrewshire, customers & service users	The review will impact upon too few residents, customers & service users
Performance data suggests the need for a review	Performance data suggests that the service is being delivered well
Scrutiny could add value to how the Council conducts its operations	The subject has too narrow a focus and would have limited impact
Scrutiny could deliver savings/efficiencies	Anticipated savings/efficiencies are not of a sufficient level to justify selection
There is scope for a revised service delivery model	The topic is already under review
The review is in response to concerns of residents or stakeholders (e.g. through public consultations, representative groups and forums, Council surgeries and the complaints process)	The issue has already been responded to in the recent past
It would be a valid topic for detailed review by Elected Members	It would be more appropriate for scrutiny of the issue to be done by another body aligned to the Council
The issue is in response to an identified risk (e.g. from the Strategic Risk Register, or the Local Scrutiny Plan)	The risk is already being addressed, or is programmed for attention
The selection of the area of review has been made on a non-partisan basis	The area of review selected may be regarded as overtly political

Potential Topics

To help the committee determine what detailed scrutiny and evaluation work it wishes to include in its annual work plan, a list of examples of potential topics has been prepared (See Appendix 2). The list includes policy areas discussed previously by the Cabinet, Council etc. over the past 5 years or so. A further list has also been provided (See Appendix 3) of topics which have been the subject of audit/scrutiny reviews by some selected local authorities in Scotland and England, the majority of which also have Cabinet systems.

Performance Information

When topics for detailed scrutiny and evaluation reviews are being selected and carried out, a review of performance information can be valuable. In general terms though, performance information is provided as one of a number of ways to assess how well, or how efficiently, a service is being delivered. Comparing performance or financial information about a service from one period or year to another can then be used as a basis for asking further questions.

The Annual Public Performance Report provides a summary of Council and Community Planning Partnership (CPP) Performance, and is closely linked to the *Council's Strategy – Vision for the Future*, which sets out the vision to be “a modern, ambitious council creating a fairer future with all”. Key activities covered include Early years; Learning health and wellbeing; Employment and training; Economy and environment; Living in East Renfrewshire; Safe supportive communities; Older years; Customer efficiency; People; and Looking ahead to the future. The performance reports can be viewed by year, and by service area, through the following link:  [Annual Public Performance Report 2017-18](#)

The Cabinet also receives strategic mid-year and end of year performance reports, which provide a summary of CPP and Council performance as set out in the Outcome Delivery Plan 2019-22 (ODP), highlighting performance that is both good and off-target. Access to a wide range of performance data available is accessible through the following link: www.eastrenfrewshire.gov.uk/performance

The performance of the Council can be compared to that of other similar councils (our family group) using the Local Government Benchmarking Framework. Further information on the Local Government Benchmarking Framework can be found on the Improvement Service website: www.improvementservice.org.uk/benchmarking/

The Citizens Panel is another way in which the Council listens to the views of local residents to help make decisions on how best to improve services and to inform policies. Self-awareness of the Council's performance is an important part of scrutiny and evaluation.

Developing the Committee's Work Plan

To help the Audit and Scrutiny Committee schedule and prioritise its scrutiny and evaluation review work over the course of each year, it is proposed that an annual work plan should be developed and agreed. This will help to provide transparency, openness and evidence of the Council's ongoing commitment to demonstrating Best Value, and continuous improvement, in the interests of local residents, customers and service users in accordance with the strategic priorities and outcomes of the Community Plan; Vision for the Future (Corporate Plan); and ODP 2019-22.

A draft work plan for 2019-2020 is attached as Appendix 4, and includes recurring cyclical reports on, for example, Treasury Management, Internal Audit, Workforce Management, Housing Benefits, and Risk, and anticipated National External Audit reports on a range of different subjects.

The work plan would effectively be a 'live' document, as items could be moved, or added as appropriate. It is intended that the work plan will be extended to include specific areas identified by the Audit and Scrutiny Committee for a scrutiny and evaluation investigation. The format of the committee's work plan, and related updates on progress, should follow the same model adopted for the Cabinet work plan, a template for which is provided below:-

Audit and Scrutiny Committee
Scrutiny and Evaluation Work Plan

Planned Report Date (Month)	Report Subject	Report by	Date Considered by Audit & Scrutiny Committee

4. HOW DO WE CARRY OUT SCRUTINY

General Comments

A scrutiny and review evaluation might assess a Council policy or service activity to determine how well the policy is being implemented, the effectiveness of the service being delivered, or if value for money is being achieved. Alternatively, the evaluation could focus on the delivery of a specific project.

Arguably the more information sources that are used and reviewed the better equipped Members will be to form a more rounded picture of the issue under scrutiny. Irrespective of the extent to which that is pursued, a well-planned and structured approach is essential.

Timescale of Reviews

An individual review is likely to involve a number of stages. After the topic is selected and the scope of the work is determined, evidence requirements will need to be identified and related discussions will be required to allow conclusions to be drawn, and a related report and recommendations to be prepared on the committee's behalf such as for the Cabinet.

Ideally, reviews should be conducted over a set timescale, which would usually be 2 to 3 formal meetings of the committee to allow detailed discussions to take place and information to be requested and provided. However to ensure this timescale is met, a lot of the detailed work is likely to take place between formal meetings. A flowchart diagram is provided as Appendix 5 to the Guide, showing the different stages of a scrutiny and review investigation.

Gathering Information

In terms of the detailed work progressed and the gathering of evidence, techniques for gathering information that could form part of the scrutiny and review evaluation could include:-

- Discussion with partner organisations, other stakeholders and customers
- Visits to facilities to gain 'first hand' experience of the policy or service under review
- Interviews with officers and others and taking of evidence from them
- Gathering information from other sources external to the authority, such as from other local authorities directly, or through the Local Government Benchmarking Framework, the Improvement Service, or the Convention of Scottish Local Authorities (COSLA) for example

Detailed Framework for Review

Initially a topic may be quite loosely defined and to enable it to be prioritised appropriately, it may need to be defined more tightly. However, if it is selected for detailed review, further clarification is likely to be needed on a range of issues, not least of all what is within and outwith scope. Appendix 6 to this Guide suggests a framework that could be followed for agreeing the precise scope and terms of reference for a scrutiny and evaluation review, and how it could be carried out, which Elected Members may like to consider following.

It includes:-

- Considering the background to a review
- Setting objectives
- Defining the scope of work
- Outlining the precise approach to be adopted
- Considering evidence requirements
- Determining with whom discussions should take place
- Confirming the timescale for the whole review and related aspects of work

Conduct at Scrutiny Meetings

Following on from comments at the start of this guide on the principles of effective scrutiny, it is considered essential that all parties involved in reviews approach them from a standpoint of mutual respect and on a non-partisan basis from the outset. This has been highlighted by the committee itself on more than one occasion since its establishment since 1999. Key points which the Audit and Scrutiny Committee itself has highlighted as important before, are summarised below:-

- Conduct at meetings, including when detailed investigations are being progressed, is governed by the Council's Standing Orders
- Members and officers attending meetings are always expected to ensure that they are adhering to their Code of Conduct
- Everyone attending a meeting is expected to respect the Chair's direction and to act in a proper and reasonable manner
- It is considered important that the committee establishes as informal an atmosphere as possible, pursuing questioning which is fair and impersonal
- Before attending any meetings, whether formal or informal, those invited to attend will be advised of the subject, purpose and direction of any enquiry in progress and how they may be expected to assist
- The committee has no powers to censure or discipline; the committee's primary interest is not to apportion blame but, through its endeavours, to seek improvement in the Council's quest for Best Value, minimisation of risk and demonstration of continuous improvement
- The committee will be happy for those attending meetings to ask appropriate questions if they feel that any matter needs to be expanded on or explained further
- Where appropriate, any individual invited to attend a meeting (such as when a detailed investigation is being progressed) may be accompanied by an adviser or supporter to assist them with their responses to questions
- Those attending meetings may bring with them any reference materials, overheads or printed information they consider necessary to present, subject to discussion with the Clerk beforehand

The Chair has a key role in ensuring that the above principles are adhered to; that the committee undertakes its role as fairly as possible; that evidence and everyone's contributions are heard, considered and respected; that all meetings operate in a courteous and constructive manner; and ensuring that the committee operates on a non-partisan basis.

Getting Value from Questions

It is almost inevitable that at least some of those who engage with the Audit and Scrutiny Committee during a detailed review, or more generally, may be doing so for the first time. Some could find that prospect daunting, even if that is not intended to be the case.

The IS guidance emphasises the importance, not only of putting people at ease who are engaging with such committees and ensuring their views are fully understood, but also of approaching questioning in a way that is sensitive and enables information to be drawn out as intended.

As well as emphasising the importance of balancing good rapport with the need to discuss issues and receive required answers, the IS guide on scrutiny also suggests that it is prudent, before any questions are asked, to do some research to help ensure questions are targeted effectively and then gauge if answers provided are sufficiently informative.

It also highlights that, if there is a wish to secure useful information, it is counterproductive for questions to be confrontational.

Whatever approach is adopted, it would be good practice to ensure that all those who interface with the committee are made aware of the scope of the review, why it is considered important to speak to them, and to ensure that they are given sufficient notice of the date and time of any meeting they are invited to attend.

Examples and guidance are provided below.

- Some forms of questions (e.g. open questions) can be more useful to use than others which are better avoided
- Repeating key words can encourage fuller replies
- Allow respondents time to consider their reply
- Use plain language rather than jargon whenever possible
- Considering what questions are to be asked before meetings, what order they should be asked in, and who should ask them, is useful
- Letting people know in advance the main questions to be posed (it is acknowledged that this may not necessarily be a restrictive list) and the outline of the issues the review is intended to cover, helps ensure they can both prepare for and answer them

Useful Types of Questions

Open and Probing Questions

Such questions:-

- Start with what, how, why, when etc.,
- Encourage people to provide more detail
- Are useful for seeking detailed feedback
- Can be useful to seek verifiable data

Examples

What impact has the new legislation had?

How are you intending to?

Can you explain what happens when.....?

You said that your service had not done (A) in the past, could you tell me more about that?

Behavioural Questions

Such questions:-

- Can be useful when seeking evidence on how a task might be done in future using examples of what has been done in the past
- Can be useful to seek verifiable data

Examples

What have you done in the past that worked well?

How do you know that worked well before?

Hypothetical Questions

Such questions:-

- Are useful for testing ideas
- Can be useful for seeking evidence

Examples

If it was possible to (A), how would that impact on the way the service is delivered?

If you had another type of vehicle, could you.....?

Less Useful Types of Questions

Closed Questions

Such questions:-

- May be useful when a short, factual answer is required
- Are not good to use when more detail is being sought

Examples

When did the service end?

How long has the policy been in place?

When was the (A) policy last reviewed?

Leading Questions

Such questions:-

- Suggest that a question is expected to be answered a particular way
- Are unlikely to yield genuine answers
- Make it harder for a respondent to answer candidly and honestly

Examples

It is already known that (A) is the most successful approach, what do you think?

It is obvious that there is only one option going forward, do you agree?

I support Option A, as it seem the only sensible thing to do, what are your thoughts?

Double Headed Questions

Such questions:-

- Ask more than one question at a time
- Can be confusing
- May result in only one part of a question being answered, when all parts of it are valid

Examples

If your service was given responsibility for (A), how many staff would be required and what would it cost?

Could (A) be done through Customer First, what impact would that have, would there be any problems with that and are there any reasons why that cannot be done?

Multiple Choice Questions

Such questions:-

- Suggest a number of answers are possible
- Do not really ask for any real explanation

Examples

Do you think A, B or C is the best approach in future?

7. CONCLUSION

This guide is intended to be a helpful aid to Elected Members, particularly members of the Audit and Scrutiny Committee who are involved in reviewing aspects of policy or service. As a matter of good practice, it also comments that it would be useful for the committee to consider and agree an annual work plan. The guide can be updated as required, including in the light of practical experience of review work, such as that progressed by the Audit and Scrutiny Committee, and any other relevant developments, including the publication of any new advice on scrutiny.

BLANK PAGE

Audit and Scrutiny Committee Terms of Reference

- (a) to promote internal controls, financial and otherwise, in order to provide reasonable assurance of effective and efficient operations and compliance with laws and regulations;
- (b) to review the control environment and make an annual statement to the Council on its evaluation of internal controls;
- (c) to develop an anti-fraud culture within the Council to ensure the highest standards of probity and public accountability;
- (d) to promote good financial practice within the Council;
- (e) to agree the internal audit strategy and plan;
- (f) to receive internal audit progress reports;
- (g) to oversee and review action taken on internal audit recommendations and assist in responding to any criticisms made;
- (h) to review the internal audit annual report;
- (i) to be consulted on the external audit strategy and plan;
- (j) to review all external audit material, in particular the annual report and management letters relative to the audit opinion of the Council's financial statements;
- (k) to oversee and review action on external audit recommendations;
- (l) to review financial procedures including the effective operation of financial regulations;
- (m) to review the Council's financial performance as contained in the Annual Accounts;
- (n) to examine the activities and accounts of the Council in order to ensure that (a) the expenditure approved by the Council has been incurred for the purposes intended, (b) services are being provided efficiently and effectively and (c) value for money is being obtained;
- (o) to consider those decisions of the Cabinet "called in" in terms of agreed procedure;
- (p) to make recommendations to the Cabinet on the introduction and development of appropriate risk management arrangements across the Council;
- (q) to review the performance of the Council in terms of:-
 - service delivery
 - the processes by which policy decisions have been taken
 - the substance of a particular policy and how it fits in with the overall objectives of the Council
 - the effectiveness of a policy in terms of implementation
- (r) to undertake whatever research and consultation is required in support of the analysis being undertaken on any particular issue.

BLANK PAGE

Examples of Policies/Strategies Discussed in Past 5 Years by Cabinet/Council etc.

<p><i>Policy/Strategy Areas (General)</i> Anti-fraud and Bribery Strategy Community Choices Budgeting Community Empowerment (Scotland) Act 2015 Community Plan (including Fairer East Ren) Community Transport Corporate Debt and Rent Arrears Policies Framework for Participation Requests Funding for Community & Voluntary Groups Procurement Strategy and Improvement Plan Unacceptable Actions by Customers Policy Vision for the Future</p>
<p><i>Operational</i> Anti-Money Laundering Plan Benchmarking Charging for Services Data Protection Policy Mobile Device Policy</p>
<p><i>Partnerships</i> City Deal Review East Renfrewshire Renewable Energy Fund SPT/Bus Deregulation</p>
<p><i>Asset Management</i> Corporate Asset Management & Planning Environment Asset Management Fleet Asset Management Plan Housing Asset Management ICT Asset Management Plan Open Space Asset Management Plan Property Asset Management</p>
<p><i>Workforce Management</i> Equality Mainstreaming, Human Rights & Fulfilling Equality Duties Modern Apprenticeships (Council Employees) Workforce Planning</p>
<p><i>Environmental/Energy Efficiency</i> Employability Strategy & Action Plan Environment Sustainability Strategy & Action Plan Local Transport Strategy & Active Travel Plan for East Renfrewshire Energy Efficiency Measures – Capital Investment Kerbside Recycling Service Roads Revenue Works Programme Winter Maintenance Arrangements</p>

Education

Advancing Excellence & Equity in Education in East Renfrewshire
 Anti-bullying Policy
 Community Learning and Development
 Devolved School Management Carry Forward Arrangements
 Developing Young Workforce in East Renfrewshire
 Early Learning and Childcare Strategy
 Language Learning Policy in East Renfrewshire based on A 1+2 Approach
 Literacy Strategy
 Vocational Education in East Renfrewshire Schools
 Young Persons Services

Housing

Discretionary Housing Payments
 Homeless Households (e.g. Leasing Temporary Accommodation in Private Sector,
 Elimination of Use of Bed & Breakfast Accommodation & Rough Sleeping)
 Housing Allocation Policy & Implementation of Choice Based Letting
 Housing - Delivering Improvement to East Renfrewshire
 Housing - Local Strategy & Investment
 Housing Services - Customer Engagement Strategy
 Rent Arrears and Write-off Policy
 Sheltered Housing Issues

Health and Social Care

Chief Social Work Officer's Annual Report on social work issues are now delegated to the East Renfrewshire Health and Social Care Partnership Integration Joint Board

Sample List of Audit and Scrutiny Review Areas Conducted by Other Local Authorities in Scotland and England

<p><i>Policy/Strategy Areas (General)</i> Brexit Digital Strategy Effectiveness of Fair Trade Income Generation and Commercialisation</p>
<p><i>Operational</i> Benchmarking Corporate Fraud Customer Experience Disaster Recovery Information Governance</p>
<p><i>Partnerships</i> Bus Deregulation and its Impact on Transport Services Scrutiny of External Organisations Shared Digital Services</p>
<p><i>Asset Management</i> Accommodation Strategy Data Security registers</p>
<p><i>Environmental/Energy Efficiency</i> Conversion of Grassed Areas to Parking Flood Risks Fly-tipping in the Countryside Japanese Knotweed Newly Introduced Speed Limits Waste Strategy</p>
<p><i>Education</i> Children with High Needs Early Years Provision Effective Home Education School Meals Youth Employment/Youth Services</p>
<p><i>Housing</i> Homelessness Housing repairs by Council and outside contractors Maintenance of Multi-occupancy Accommodation</p>
<p><i>Health and Social Care</i> Child poverty Homecare Occupational Therapy Safeguarding of Children</p>

BLANK PAGE

Audit and Scrutiny Committee
Draft Forward Work Plan 2019-2020

Planned Report Date	Report Subject	Report by
20 June 2019	Guide to Scrutiny and Review, including Audit and Scrutiny Committee Work Plan 2019/20	Chief Executive
	Code of Corporate Governance	Deputy Chief Executive
	Arboricultural Framework	Director of Environment
	Unaudited Annual Accounts 2019/20	Head of Accountancy
	Local External Audit Report – East Renfrewshire Council Management Report 2018/19	External Auditor
	National External Audit Report - Local Government in Scotland: Challenges and Performance 2019	Clerk in liaison with Deputy Chief Executive
	National External Audit Report - Health and Social Care Integration – Update on Progress	Clerk in liaison with Director, HSCP
	Public Sector Internal Audit Standards (PSIAS) Internal Self-Assessment	Chief Auditor
	Audit Charter	
	Internal Audit Plan 2018/19 - Implementation Progress – January to March 2019	
	Internal Audit Annual Report 2018/19	
	Committee's Specialisation Arrangements for Dealing with Internal and External Audit Reports & Inspection Reports	Clerk
27 June 2019	<i>Cancelled as no longer required</i>	

15 August 2019	Update on Audit and Scrutiny Committee Work Plan 2019/20 (TBC)	Chief Executive
	National External Audit Report - How Councils Work - Safeguarding Public Money: Are You Getting it Right?	Clerk in liaison with Head of Accountancy
	Annual Treasury Management Report 2018/19	Head of Accountancy
	Internal Audit Plan 2019/20 - Implementation Progress – March to June 2019	Chief Auditor
26 September 2019	Strategic Risk Register and Risk Management Progress – Biannual Report	Chief Executive
	National External Audit Report: National Fraud Initiative (TBC)	Clerk in liaison with Head of Communities, Revenues and Change, and External Auditor
	2018/19 Annual Accounts for Council's Charitable Trusts and External Audit International Standard on Auditing 260 Report	Head of Accountancy
	2018/19 Annual Accounts and Draft Annual Audit Report for East Renfrewshire Council	
	Managing Absence - Annual Report 2018/19	Deputy Chief Executive
	Summary of Early Retirement/ Redundancy Costs to 31 March 2019	
21 November 2019	Interim Treasury Management Report 2019/20	Head of Accountancy
	Internal Audit Plan 2019/20 – Implementation Progress – July to September 2019	Chief Auditor
	Housing Benefit Performance Audit: Annual Update (TBC)	Clerk in liaison with Head of Communities, Revenues and Change
	National External Audit Report: Revenue Financing of Assets (Non-Profit Distributing and Hub Models) (TBC) <i>(Anticipated Publication Date: August 2019)</i>	Clerk in liaison with Head of Accountancy

23 January 2020	National External Audit Report: NHS in Scotland (TBC) <i>(Anticipated Publication Date: October 2019)</i>	Clerk in liaison with Director, HSCP
	Internal Audit Plan 2019/20 – Implementation Progress – October to December 2019	Chief Auditor
20 February 2020	Treasury Management Strategy 2020/21	Head of Accountancy
12 March 2020	Strategic Risk Register and Risk Management Progress - Biannual Report	Chief Executive
	Audit and Scrutiny Work Plan 2019-20 Progress, and 2020/21 Work Plan (TBC)	
	Internal Audit Strategic Plan 2020/21 – 2024/25	Chief Auditor
	East Renfrewshire Council - Annual Audit Plan 2019/20	External Auditor
	National External Audit Report: Scotland's City Region and Growth Deals (TBC) <i>(Anticipated Publication Date: November 2019)</i>	Clerk in liaison with Director of Environment
	National External Audit Report: Local Government in Scotland – Financial Overview <i>(Anticipated Publication Date: October - December 2019)</i>	Clerk in liaison with Head of Accountancy

Note 1

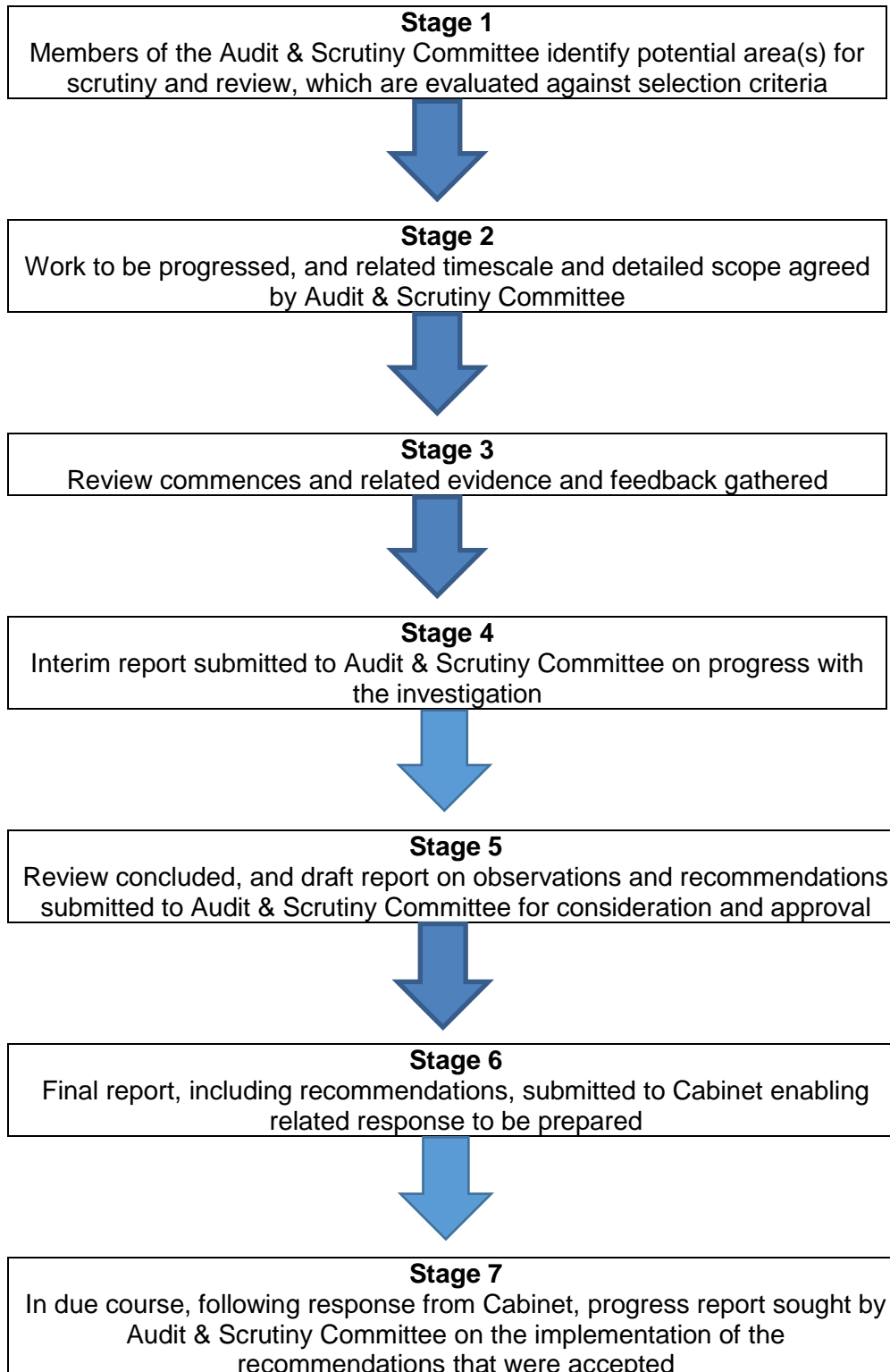
Audit Scotland has indicated that the following reports will be published in 2019/20, but their publication date remains to be confirmed:-

- National External Audit Report: Self-directed Support
- National External Audit Report: Equal Pay in Scottish Councils

Note 2

Audit Scotland has indicated that the scope, timing and any performance audit work on the proposed 'National External Audit Report: Withdrawal from the European Union' will be dependent upon developments. Once the national report has been published, the Clerk, in liaison with the Chief Executive, will prepare a report for the Audit and Scrutiny Committee.

BLANK PAGE

Stages for Conducting a Scrutiny Review and Evaluation Investigation

BLANK PAGE

Scoping and Progressing a Scrutiny and Evaluation Review

Background	<ul style="list-style-type: none"> • Consider the background to the review • Confirm that the topic has been prioritised against the agreed selection criteria
Objectives	<ul style="list-style-type: none"> • Confirm what the main aim of the review is • Propose objectives covering the various aspects to be examined as part of the review
Scope & Exclusions	<ul style="list-style-type: none"> • Define in detail what areas will be covered <i>For example, is the focus a whole service or part of it; is a particular timeframe to be looked at; is there to be a focus on a particular geographical area</i> • Highlight any aspects that will not be covered by the review <i>For example, are some things excluded due to time or resource constraints; or because they have recently been or to be examined such as by internal or external audit</i> <p><u>Note</u></p> <p><i>It is already considered good practice to advise the Chair and Director with responsibility for a service/policy under review that work is progressing on a matter relating to them and what is within the scope of the review</i></p>
Approach	<ul style="list-style-type: none"> • Determine the approach to be taken to the review <p><i>Depending on what is being reviewed, there may be a range of approaches that are appropriate to complete the work. Determining what lines of enquiry are appropriate from the outset is useful as this informs timescales, resources, involvement of various key stakeholders etc.</i></p> <p><i>Approaches may include:-</i></p> <ul style="list-style-type: none"> ○ <i>Reviewing local performance data and trends</i> ○ <i>Reviewing financial data and trends</i> ○ <i>Benchmarking and determining what is good practice</i> ○ <i>Discussions with appropriate council officers</i> ○ <i>Local site visits</i> ○ <i>Visits to other service providers or partners, such as other local authorities</i> ○ <i>Meeting with external partners (e.g. representatives of community groups)</i> ○ <i>Inviting internal and external stakeholders to provide evidence</i> ○ <i>Determining which members of the committee may be involved in any of the above</i>

<p>Consider Evidence Requirements</p>	<ul style="list-style-type: none"> • Consider what evidence (both written and oral) would be useful to gather and review and the preferred format of it <p><i>Depending on the nature of the review, this may include:-</i></p> <ul style="list-style-type: none"> ○ <i>Reports, plans and strategies</i> ○ <i>Identifying background reading (e.g. research articles)</i> ○ <i>Recording interviews</i> ○ <i>Seeking written evidence</i> ○ <i>Collecting benchmarking data</i> ○ <i>Preparing a survey/questionnaire</i> ○ <i>Writing up comments from site visits</i> ○ <i>Research and analysis</i> ○ <i>Equalities Impact Assessments</i> ○ <i>Options Appraisals</i>
<p>Interviews etc.</p>	<ul style="list-style-type: none"> • Consider who needs to be spoken to <p><i>Depending on the nature of the review, this may include:-</i></p> <ul style="list-style-type: none"> ○ <i>Other Elected Members</i> ○ <i>Members of CMT</i> ○ <i>Other Officers</i> ○ <i>Service Users</i> ○ <i>Trade Unions</i> ○ <i>Professional Experts</i> ○ <i>Community Groups</i> ○ <i>External Partners</i> ○ <i>Deciding what advance correspondence is required with any or all of the above</i>
<p>Anticipated Outcome</p>	<ul style="list-style-type: none"> • Considering from the outset what you expect the review to deliver can be useful <p><i>Depending on the nature of the review, this may include:-</i></p> <ul style="list-style-type: none"> ○ <i>Making recommendations to Cabinet on how a policy or service delivery could be improved</i> ○ <i>Improved understanding of the challenges faced by the service concerned</i> ○ <i>Suggesting a different approach to delivery of a service</i>
<p>Timescales</p>	<ul style="list-style-type: none"> • To help ensure the review progresses as intended, consider setting timescales for various aspects of the review <p><i>This may include:-</i></p> <ul style="list-style-type: none"> ○ <i>When the review is scheduled to start and finish</i> ○ <i>When any updates are to be provided to the committee</i> ○ <i>When a draft report is shown to officers for comments</i> ○ <i>When the final version of a report and related executive summary, prepared on the committee's behalf, are to be submitted to the committee and then the Cabinet</i> ○ <i>When progress on implementation of recommendations accepted by the Cabinet may be reviewed</i>

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

20 June 2019

Report by Clerk

COMMITTEE'S SPECIALISATION ARRANGEMENTS FOR DEALING WITH
INTERNAL AND EXTERNAL AUDIT REPORTS AND INSPECTION REPORTS

PURPOSE OF REPORT

1. To propose changes to the Committee's specialisation arrangements for dealing with internal and external audit reports and inspection reports.

RECOMMENDATION

2. It is recommended that the Committee considers balancing out more evenly the specialisation workload that is falling to each of its members as proposed.

BACKGROUND

3. In August 2017, following discussion and taking account of the distribution of aspects of the Committee's workload during the previous 5 years and also views expressed by members of the Committee, updated specialisation arrangements were approved for dealing with both inspection reports and external and internal audit reports, including those of a corporate nature or with a Council-wide focus. More specifically, it was confirmed which members of the Committee, working in pairs, would lead on specific matters and agreed to review the arrangements in due course.

4. Some changes to the Committee's membership have occurred since then as a consequence of which those more newly appointed to it simply took on the specialisation remit of those who had resigned. Otherwise, no other changes to the arrangements have been made thus far.

PROPOSED REVISIONS TO SPECIALISATION ARRANGEMENTS

5. At the end of 2018 the Committee was reminded of the intention to review its specialisation arrangements. It was explained that an analysis of reports dealt with since May 2017 had revealed that the workload was unbalanced, with some Elected Members having dealt with more reports than others. Consequently it was agreed to seek further feedback from members of the Committee on the analysis and related issues with a view to submitting proposals to a future meeting.

6. Members of the Committee were invited to submit comments and observations on a possible reconfiguration of responsibilities and related issues, such as on the extent to which any might wish to change their current remit. To assist, the list of current specialisation responsibilities (see Paragraph 7 below) was provided together with a further list itemising over 30 reports published and dealt with thus far; and a summary of the number dealt with by each Elected Member. No members of the Committee provided feedback, when asked, that suggested they were proactively seeking any change of remit.

NUMBER & TYPES OF REPORTS DEALT WITH, & APPROXIMATE NUMBER OF REPORTS TO BE DEALT WITH, BY MEMBERS UNDER THE COMMITTEE'S CURRENT SPECIALISATION ARRANGEMENTS FROM 2017 TO 2022

In each case, the number of reports dealt with thus far by each Member is provided. Below that, in each case, the approximate total number of reports expected to be dealt with between May 2017 and the next local authority elections, if the current arrangements remain in place and unchanged has also been provided.

	Reports with Council-Wide Focus	Chief Executive's Dept.	Corporate & Community Services Dept.	Environment Dept.	HSCP	Education Dept.	TOTAL FOR MEMBER
Cllr S Miller (Chair)	8 <i>(Approx 20)</i>						8 <i>(Approx 20)</i>
Cllr B Grant (Vice-Chair)	8 <i>(Approx 20)</i>						8 <i>(Approx 20)</i>
Prov J Fletcher		6 <i>(Approx 15)</i>			6 <i>(Approx 15)</i>		12 <i>(Approx 30)</i>
Cllr C Gilbert				3 <i>(Approx 10)</i>	6 <i>(Approx 15)</i>	5 <i>(Approx 15)</i>	14 <i>(Approx 40)</i>
Cllr A Ireland		6 <i>(Approx 15)</i>		3 <i>(Approx 10)</i>		5 <i>(Approx 15)</i>	14 <i>(Approx 40)</i>
Cllr J McLean			5 <i>(Approx 15)</i>				5 <i>(Approx 15)</i>
Cllr J Swift			5 <i>(Approx 15)</i>				5 <i>(Approx 15)</i>

BLANK PAGE