

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: 19 June 2020

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), Charlie Gilbert, Annette Ireland, Jim McLean and Jim Swift.

AUDIT AND SCRUTINY COMMITTEE

A meeting of the Audit and Scrutiny Committee will be held on **Thursday, 25 June 2020 at 2.00 pm.**

The agenda of business is as listed below.

Please note this is a virtual meeting.

Yours faithfully

Caroline Innes

C INNES
DEPUTY CHIEF EXECUTIVE

AGENDA

1. **Report apologies for absence.**
2. **Declarations of interest.**
3. **Chair's Report.**
4. **Unaudited Annual Accounts 2019/20 – Report by Head of Accountancy (Chief Financial Officer)(copy attached, pages 3 - 136).**
5. **East Renfrewshire Culture & Leisure Trust - Best Value Review – Report by Chief Executive (copy attached, pages 137 - 184).**
6. **National External Audit Report – NHS in Scotland - Report by Clerk (copy attached, pages 185 - 194).**

7. **National External Audit Report - Housing Benefit Performance Audit: Annual Update 2019 – Report by Clerk (copy attached, pages 195 - 200).**
8. **Internal Audit Plan 2019/20 – Implementation Progress – January to March 2020 – Report by Chief Auditor (copy attached, pages 201 - 216).**
9. **Consultancy Expenditure and Related Log – Report by Clerk (copy attached, pages 217 - 224).**
10. **Audit and Scrutiny Committee Work Plans 2019/20 and 2020/21 – Report by Clerk)(copy attached, pages 225 - 240).**

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EAST RENFREWSHIRE COUNCIL**AGENDA ITEM No.4**AUDIT AND SCRUTINY COMMITTEE25 June 2020Report by Head of Accountancy (Chief Financial Officer)UNAUDITED ANNUAL ACCOUNTS FOR 2019/20**PURPOSE OF REPORT**

1. The Annual Accounts for 2019/20 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 2019/20.

BACKGROUND

3. The Annual Accounts for 2019/20 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 all of the £4,312k from reserves as planned, with only £964k being called upon. This represents an improvement of just over £3,300k.
- The Council's Non-Earmarked General Fund reserve has decreased by £964k resulting in a balance of £9,590k as at 31 March 2020 (3.8% of the annual budgeted net revenue expenditure). This is slightly below the Council's most prudent target level of 4%, but better than forecast when setting the budget for 2020/21, however it is anticipated that the balance will significantly reduce during 2020/21 to cover unfunded pressures relating to Covid-19.
- Capital Expenditure of £47,841k was invested.
- There has been an operating surplus of £598k on the Housing Revenue Account, this increasing the accumulated surplus balance to carry forward to £2,316k.

RECOMMENDATION

5. The Committee is invited to: -
- Note the content of the Annual Accounts for 2019/20.

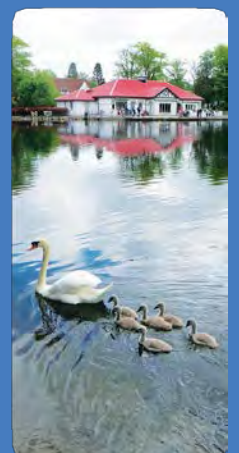
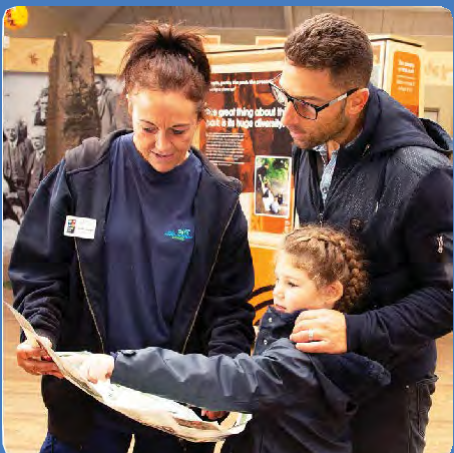
REPORT AUTHOR

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 2019/20.

UNAUDITED ANNUAL ACCOUNTS 2019/20





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Management Commentary

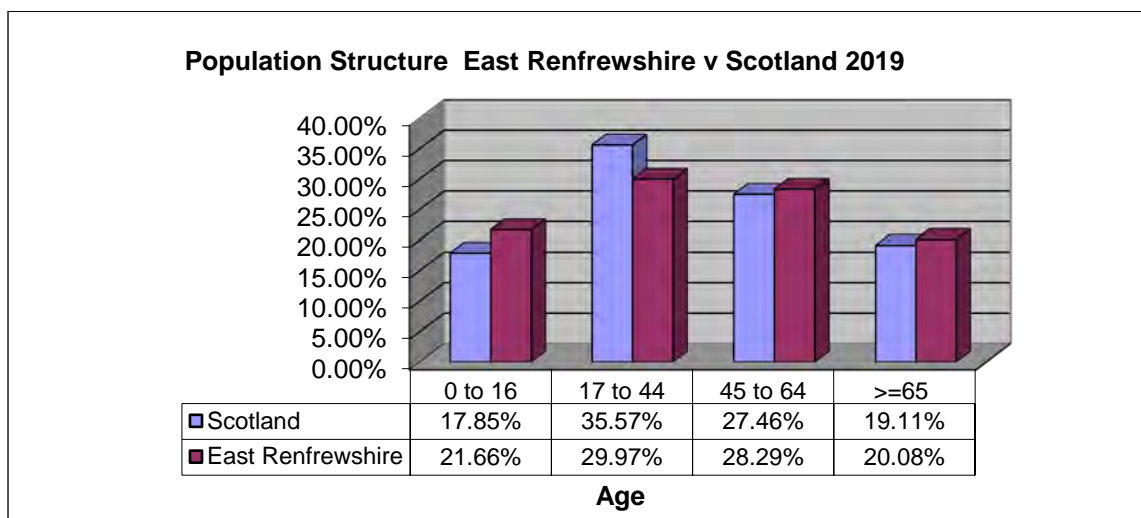
1. Introduction

This statement outlines key messages on the objectives and strategy of the Council and its financial performance during 2019/20 and also indicates issues and risks which may impact upon the finances of the Council in the future.

East Renfrewshire and the local authority

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

The population of East Renfrewshire at 30th June 2019 was 95,530*. This is our highest ever population, with an increase from 2018 of 0.38% and is 7.04% higher than the population 10 years ago. The 2018 Population Projections show that East Renfrewshire’s population will steadily increase, but at a lower rate than the previous projection. The table below compares the current population of Scotland and East Renfrewshire, and shows that East Renfrewshire has a higher proportion of the population under the age of 16, compared to that of Scotland, as well as a higher proportion of those aged 45 to 64, and 65 and overs.



*Source 2019 Mid-Year Population Estimates, National Records of Scotland

The council provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and housing. There are eighteen councillors, across five multi-member wards, representing the interests of the community. The 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, as certified by the Chief Financial Officer in the Statement of Responsibilities, present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2020. The Accounts are subject to



Management Commentary (cont'd)

statutory audit and incorporate the information required by the Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

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 that 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.

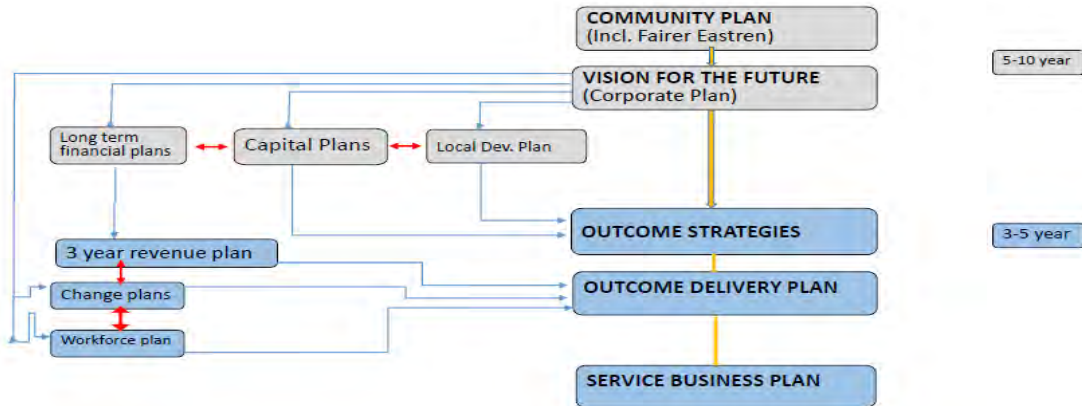


Management Commentary (cont'd)

Strategic Planning and Performance Outcomes

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’ business plans and employees’ roles. Employees are working towards achieving our vision to be ‘A modern ambitious Council creating a fairer future for all’, with the ultimate aim to make people’s lives better.

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



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. For the Partnership and the Council there are joint strategic outcomes covering individuals’ life stages:

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

Fairer East Ren is the part of the Community Plan which is focused on tackling inequalities and closing the gap between communities.

We have updated our long term strategy for the council, **Vision for the Future (VFTF) 2020-2030**, (<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=25972&p=0>) this reflects the long term ambitions for East Renfrewshire. Council considered the update in February 2020 and agreed to support the ongoing conversations with residents on themes including connecting communities, tackling loneliness and effective transport and active travel, to shape our future strategic direction.

Our [Outcome Delivery Plan](#) (OPD)

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24848&p=0>

sets out 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.



Management Commentary (cont'd)

Our performance

The Council's strategic performance management arrangements include six monthly reporting to Council on council wide performance, plus six monthly performance review meetings involving the Chief Executive, each Director and service managers. End of year performance arrangements were pared back this year as the Council focused on the delivery of essential emergency service during the pandemic. Elected members will scrutinise strategic end year performance for 19/20 at the Council meeting on 24 June 2020.

We cannot achieve our outcomes working alone, so our key performance indicators' set also includes input from our main partners, East Renfrewshire Health and Social Care Partnership and East Renfrewshire Culture and Leisure Trust (ERCLT). As a result of the outbreak of Covid-19 end year performance data is not available for ERCLT.

An analysis of the indicators for 19/20 where data is available and targets set, shows that 63% of indicators were met, 31% on track/within reasonable thresholds and 6% (2 indicators) off track. We performed well on key outcome areas including supporting local businesses, educational attainment and community safety.

We were off target on our indicator for minimising absence. Performance for 2019/20 shows an increase in absence for Local Government employees but a reduction for teachers compared to last year. Our overall absence rate is 10.1 days absence per FTE, which is above the 9.1 days target. Managers continue to work with staff to reduce absence levels. The significant impact of Coronavirus on staff absence levels from mid-March 2020 onwards may make assessment of the underlying progress difficult to measure in the coming year. Our City Deal expenditure against the Capital Plan was lower than anticipated at £3.5m in 2019/20 (target £6.6m). This was as a result of delays to the Aurs Road project. Land deals required as part of the project were not concluded and also Scottish Water identified the need to complete work that impacted on the same geographical area. To minimise the disruption of road closures, project timescales were rescheduled and the Council are working with Scottish Water to complete both organisations' project requirements.

Additional progress on our strategic outcomes is summarised below.

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

We have invested over £24m in increasing the provision of early education and childcare. Work is underway to build five new nurseries in Busby, Clarkston, Eaglesham, Newton Mearns and Thornliebank. The impact of Coronavirus has delayed completion of these buildings however contingency planning has enabled us to continue as planned to almost double the amount of free childcare for families in 2020, subject to social distancing restrictions. We have continued to deliver successful parenting programmes throughout the year with improved outcomes for the families taking part. Our Champions Board provides opportunities for looked after young children giving them the chance to influence policy and practice in services affecting them. During the Covid-19 outbreak we adapted our services and continued to support the most vulnerable families and individuals in East Renfrewshire, particularly those where there are public/child protection issues or an identified risk of harm

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

We continue to be top in Scotland for our pupils achieving high levels of educational attainment, showing some of our best results to date for S4. We have also delivered exceptional performance in closing the attainment gap across a range of key equity groups. The proportion of our young people



Management Commentary (cont'd)

achieving positive destinations also increased to the highest in Scotland with 97.5% going on to further education, training or employment after school. The number of school learners undertaking and successfully completing a wide range of vocational qualifications with our Further and Higher education partners increased in 2018/19. There was also a 28% increase in the number of pupils participating in Foundation Apprenticeships in 2018/19. Learning has continued during outbreak of Covid-19 outbreak via four 'Hub' schools and supporting children and young people to participate in digital and remote learning.

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

Our £44m City Deal projects continue to progress well. Ten new light industrial units in Barrhead were constructed and are fully occupied, and remediation of land in Barrhead is under negotiation for a mixed use retail development. Greenlaw Business Centre in Newton Mearns was completed in 2019 and was due to begin taking tenants, however due to the impact of the Coronavirus this is on hold. Over £11m is being invested in housebuilding up to 2025. The Council has set a target of building 200 new council houses and is on track with a further 40 houses built or acquired in 2019/20. Our roads indicators have improved and we have committed an additional £3m of capital investment per year from 2019/20 for 5 years to further improve road infrastructure. Recycling rates are top in Scotland (66.2%), we have met our street cleanliness target and exceeded our target on the number of businesses supported by our Business Gateway Services. We have invested in parks and greenspaces with additional resources used to improve facilities. During Covid-19 outbreak we have worked hard to support local business paying out grants of over £7.2m in the new year. There are significant challenges ahead supporting the recovery of the local economy.

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

The Community Safety service has been fully modernised upgrading CCTV infrastructure, delivering improved image quality, faster operation and reduced ongoing data costs. Recurring incidences of anti-social behaviour have reduced. We have advanced Participatory Budgeting (PB) by working alongside Linking Communities: an umbrella group of residents in Barrhead, Neilston & Thornliebank. Linking Communities designed a process where £100k for community groups would be voted on by residents for future distribution. We continue to support people completing Community Payback Orders, with a high volume of people reporting that they have been helped to address their offending behaviour. We have seen significant improvement and are ahead of our target for the personal outcomes of women who have been victims of domestic abuse. During the Covid-19 emergency phase we have targeted our services on our most vulnerable. Our recovery planning is prioritising the reestablishment and strengthening of our approaches to public protection.

During Covid-19 strong partnerships enabled the Council with Voluntary Action East Renfrewshire to quickly establish a Community Hub helpline connecting vulnerable and isolated families to a range of community supports, many delivered by volunteers from local communities.

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

Our services continue to support older people and people with long-term conditions to live independently and well. We continue to meet our target for the proportion of adults who agreed that they are supported to live as independently as possible. We are developing support to unpaid carers in collaboration with our local Carers Centre and have seen significant improvement in the proportion of carers reporting that their needs are being met. The Covid-19 outbreak has impacted most seriously on older people and people with long-term conditions. We have focused our services on supporting those at greatest risk in both community and residential settings. This has seen additional



Management Commentary (cont'd)

staff support through redeployment and recruitment for care at home and our care home. There has been increased collaborative working with the third/community sector and additional support given to partner provider organisations, particularly our care home providers.

Public Performance Reporting

We 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.

To access further 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:

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

The Council's Workforce Plan is aligned with our 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.

The financial plan originally set out for 2018/19 – 2020/21 showed that the Council's budget would reduce by £28.5 million and it was estimated that there would be a reduction of 265 posts from the current Council structure. This budget reduction now sits at £38.91 million for the three years. The latest figures for the three years show that the number of posts in the council will fall by around 290. It was expected that this figure may fall slightly and would be offset to a large degree by the creation of more than 200 roles to support the ambitious plans to almost double the level of free nursery care. We have continued to manage reductions through natural turnover and voluntary early retirement and redundancies and a commitment was made that this approach would continue for 2020/21.

Due to the Covid-19 pandemic East Renfrewshire Council will need to reassess the budget and workforce plans over the current year. It is not yet known how long it will take until full phasing back to the workplace will be undertaken however the council will follow national guidance. There are a number of areas that have changed for local authorities including supporting the humanitarian effort for vulnerable residents and those in the shielding category and the Scottish Government has announced that local authorities will no longer be legally obliged to deliver 1140 hours of funded childcare from August 2020.

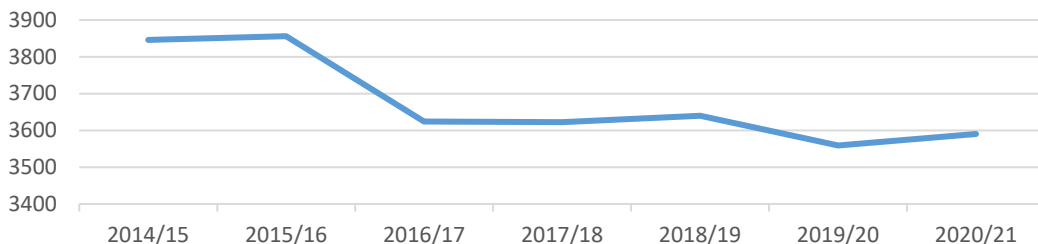
The council has a number of transformational change programmes ongoing to ensure that we will have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. The approach is to deliver rationalised management structures, new operating models and establish more cross-functional and collaborative working to improve resilience. A workforce planning working group is in place to regularly review the overall strategy and actions for our longer term Workforce Plan. This group will need to review the Workforce Plan alongside the workforce requirements to support recovery and renewal within the council and to ensure that development and retraining opportunities continue to be supported during this difficult time.



Management Commentary (cont'd)

Due to the Council's programme of efficiency reviews 95 employees took the option of voluntary redundancy or other packages in 2019/20. This resulted in an in year cost of £2.07m.

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



*The decrease in staff between 2015/16 and 2016/17 is due to the transfer of staff to East Renfrewshire Culture & Leisure Trust which commenced on 2 July 2015

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.

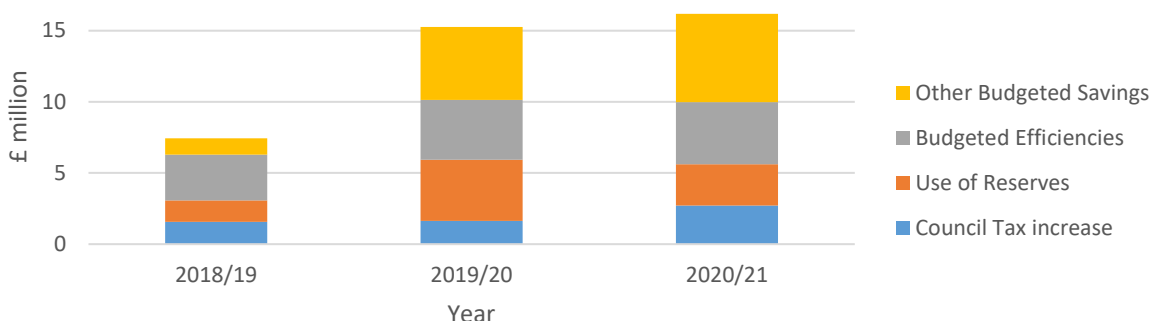
3. Financial Planning, Monitoring and Performance in 2019/20

Budget Process

Following our successful previous multi-year budget approach, the Council undertook extensive community engagement, during autumn 2017, on setting its budget for future financial years. Reflecting on 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 and February 2020.

The Council has had to make significant budget savings for a number of years in order to ensure that it complies with its statutory requirement to set a balanced budget whilst meeting the needs of residents. A total of £38.91m budget savings have been achieved in the past 3 years.

Budgeted Savings





Management Commentary (cont'd)

Capital plans have also been agreed for the General Fund, covering the period 2020/21 to 2029/30, and Housing, covering the period 2020/21 to 2024/25.

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 normally consider revenue monitoring reports and detailed variance information at Cabinet five times per year with all reports providing year end forecasts. However due to the Covid-19 lockdown, the fifth Revenue Monitoring report was considered solely by two members of the Cabinet under extended delegated powers. 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

Links to the final 2019/20 reports can be found below:

[General Fund Capital Programme 2019/20](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26057&p=0), approved by Cabinet on 12 March 2020
[Capital Monitoring Report](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26057&p=0)
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26057&p=0>

[Estimated Revenue Budget Out-turn 2019/20](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26056&p=0), approved by Cabinet on 12 March 2020
[\(Revenue Monitoring Report\)](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26056&p=0)
[\(https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26056&p=0\)](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26056&p=0)

Revenue Budget Performance

General Fund Revenue Balance

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be found on page 45 and has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement on page 46.

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

The General Fund Balance at the end of the year is £31.434m. The opening balance of £29.603m has been increased by an overall surplus of £1.831m. The General Fund is split over a number of earmarked funds which are adjusted annually to take account of the following factors:-

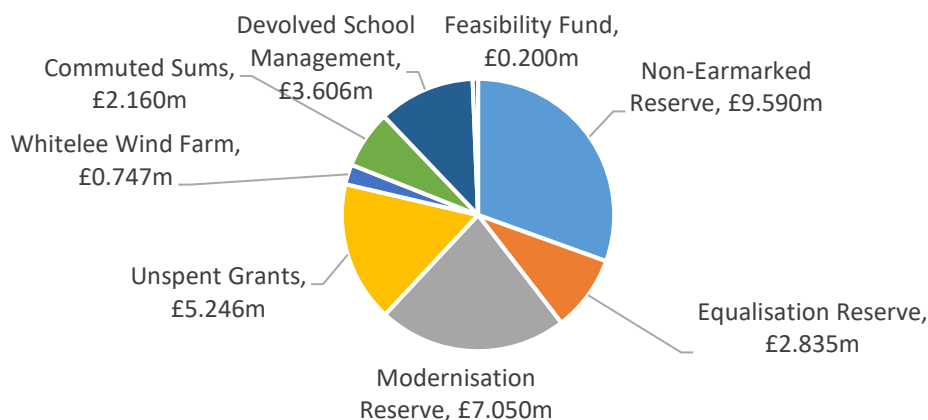
- (i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim where possible is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. The actual balance for 2019/20 was 3.8% (2018/19 4.4%)
- (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.



Management Commentary (cont'd)

- (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.

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



Budget Performance

The overall surplus of £1.831m can be analysed as follows:

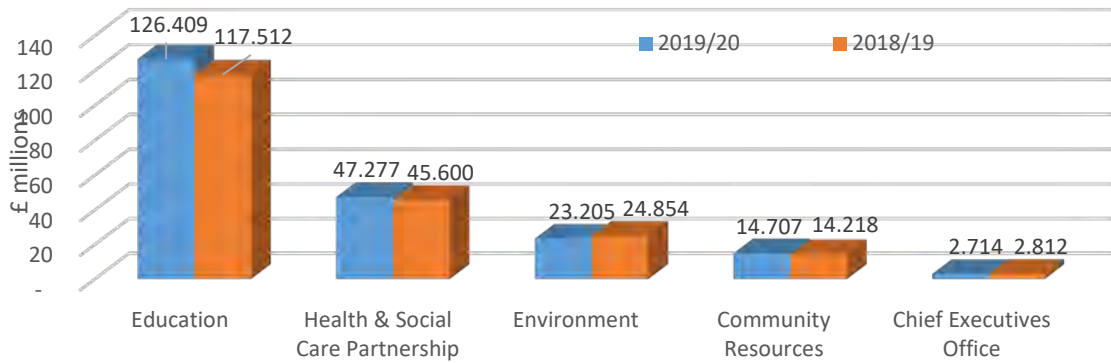
| | Actual £'000 | Approved Budget £'000 | Over/(Under) Spend £'000 |
|--|-----------------|-----------------------------|--------------------------------|
| Net Cost of Services | 242,313 | | |
| Capital Charges | (16,710) | 225,603 | (4,757) |
| Investment Income | | (180) | - |
| Capital financing costs | | 10,245 | (300) |
| Other | | (258) | (258) |
| Contributions to/(from) reserves | | (963) | 3,349 |
| To be met by Govt. grants and local taxation | | 234,447 | (1,966) |
| Aggregate External Finance | | (184,108) | - |
| Council Tax | | (52,170) | 135 |
| Total Funding | | (236,278) | 135 |
| (SURPLUS)/ DEFICIT FOR THE YEAR | | (1,831) | (1,831) |

The surplus of £1,831k above is primarily due to an increase in earmarked reserves, largely due to Unspent Grants. When this is considered with the Housing Revenue Account surplus of £598k (see Movement in Reserves Statement) it equates to the total of £2,429k, as stated in the Expenditure and Funding Analysis (note 2). The graph below shows the net expenditure across Directorates, also as shown in note 2.



Management Commentary (cont'd)

Net Expenditure across Directorates



Housing Revenue

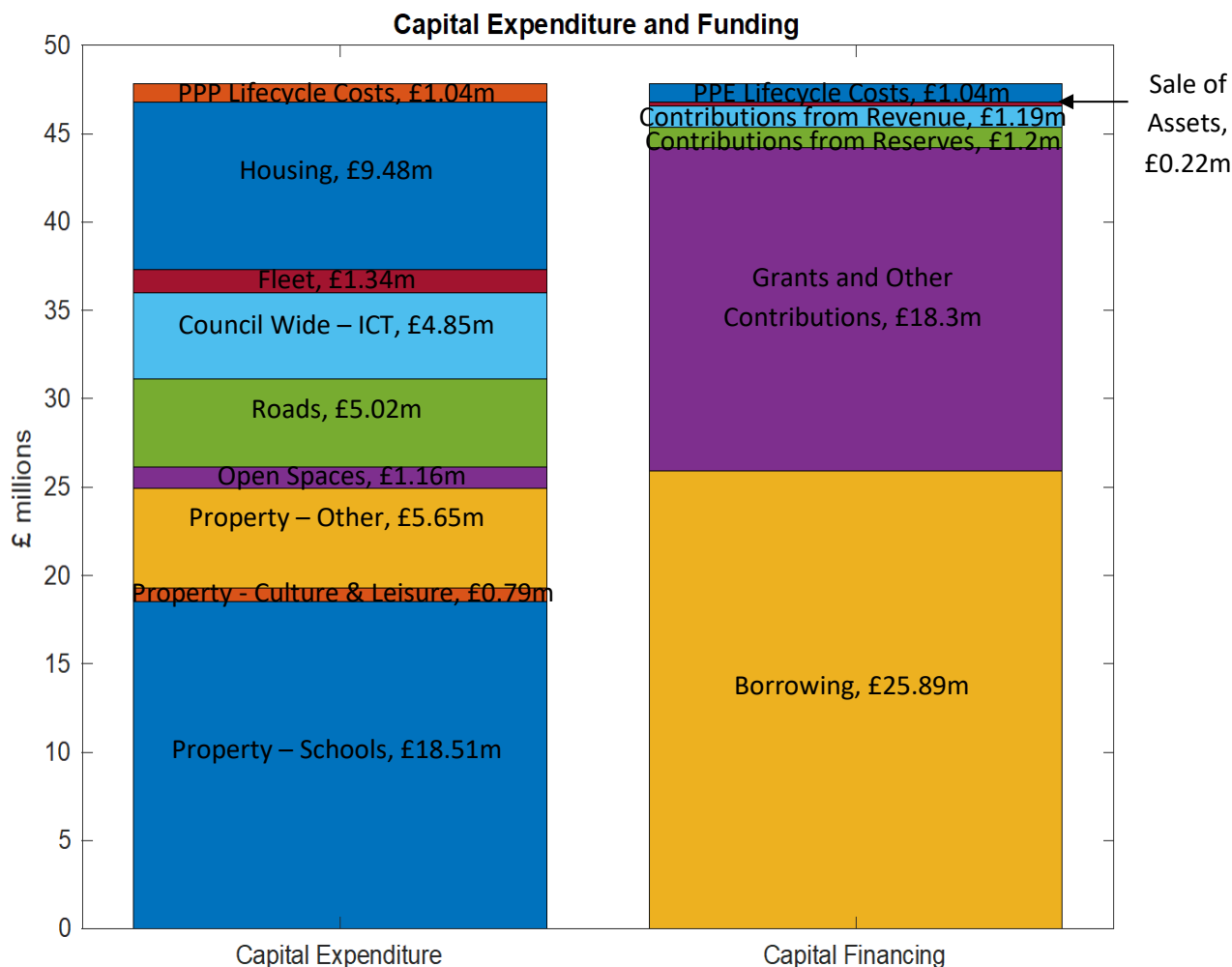
The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balance are shown on pages 109 and 111. These accounts deal with transactions in respect of managing the Council’s housing stock, which cannot be subsidised by the Council. The opening balance of £1,718k has been increased by an operational surplus of £598k to give a year-end balance of £2,316k.

Capital Budget Performance

In 2019/20 the final Council budget for capital investment in both the General Fund and the Housing Revenue Account was £53.3m, with 90% of this being delivered. It should be noted that as these capital programmes are part of a longer term plan, it is expected that there will be movement in spend across the years and that projects not delivered in year will be completed in forthcoming financial years. The diagram below identifies the key areas of spend in 2019/20 and how these were funded. Further details are provided in in notes 15 to 18.



Management Commentary (cont'd)



Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2020 and explanatory notes are provided. The net worth of the Council has increased by £70,489k from £401,380k as at 31 March 2019 to £471,869k as at 31 March 2020. The major movements are set out below:

| | 31 March 2020 £000 | 31 March 2019 £000 | Movement £000 | Main Reason |
|------------------------------|--------------------|--------------------|---------------|---|
| Long Term Assets | 726,069 | 687,797 | 38,272 | This increase is mainly due to major capital investment and asset revaluations of certain categories of assets (see notes 15 to 18) |
| Current Assets | 87,517 | 81,865 | 5,652 | Cash equivalents and short term investments have increased due to both capital and revenue cash flows |
| Current Liabilities | (48,778) | (55,563) | 6,785 | Due mainly to the movement in short term creditors (see note 23) and the reduction in short term borrowing |
| Long Term liabilities | (292,939) | (312,719) | 19,780 | Pension Reserve has decreased due to a change in demographic assumptions (see note 39) and Long Term borrowing has increased overall. |
| Usable Reserves | (44,195) | (43,687) | (508) | This reflects the use of reserves during the year (See note 11 for details) |
| Unusable Reserves | (427,674) | (357,693) | (69,981) | Reflecting the decrease in the Pension Reserve and upward revaluation of assets (see note 25) |



Management Commentary (cont'd)

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 2020, discloses a deficit, as a result of prevailing investment market conditions at that date. The liability relates to benefits earned by existing or previous employees up to 31 March 2020. 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. 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 pension liability can fluctuate significantly year on year and the table below shows the Council's pension liability over the last three years:-

| | 2019/20 £000 | 2018/19 £000 | 2017/18 £000 |
|--------------------------|-----------------|-----------------|-----------------|
| Pension Liability | (91,435) | (134,841) | (82,454) |

Most of the changes each year can be attributed to the change in financial and demographic assumptions. Normally the change in discount rate assumption has the most significant financial impact on the pension liability. An increase in the net discount rate will decrease the assessed value of liabilities as a lower value is placed on benefits paid in the future, the opposite is also true, a decrease in the net discount rate will increase the liability. The discount rate at the year-end decreased marginally by 0.1% from 2.4% as at 31 March 2019 to 2.3% as at 31 March 2020, however along with other financial assumptions and a reduction in life expectancy, liabilities have decreased.

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.

Further detail on pension estimates are included in note 39

Treasury Management

The Council's net borrowing increased by £13.861m during the year. This reflects the funding of the capital programme and the repayment of borrowing and lease finance as shown in the Balance Sheet as follows:-

| | 31 March 2020 £000 | 31 March 2019 £000 | Movement £000 |
|------------------------------------|-----------------------|-----------------------|------------------|
| Long Term Investments | 262 | 271 | (9) |
| Short term Investments | 34,249 | 33,997 | 252 |
| Cash & Cash Equivalents | 36,139 | 30,140 | 5,999 |
| Short Term Borrowing | (561) | (2,163) | 1,602 |
| Short Term Finance Lease | (4,787) | (4,732) | (55) |
| Long Term Borrowing | (114,226) | (87,788) | (26,438) |
| Long term Finance Lease | (80,960) | (85,748) | 4,788 |

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 41. 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



Management Commentary (cont'd)

the year-end was £199.740million (excluding effective interest), made available to the Council from various sources, the most significant of which was from the Public Works Loans Board. This compares with the CFR of £200.099 million (see note 33) and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds and to minimise the exposure to investment risk. The Council's Treasury Management Strategy Report for 2019/20 can be found:

[Treasury Management Strategy Report 2019/20](#)

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23876&p=0>

Provision and Write-offs

The Council has provided £0.366 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 24) and the reasons for the provisions made are outlined in the Note.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £242.63k for Council Tax, £159.16k for Non-Domestic Rates and £364.66k of other debts which were approved by Cabinet.

Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2019/20 and the affordability of its ongoing commitments:-

| Financial Indicator | Commentary | 2019/20 Actual | 2018/19 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 Reserves Policy is to aim where possible for 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 General <i>Fund Revenue Balances</i> section above. | 3.8% | 4.4% |
| Movement in the Uncommitted General Fund Balance | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. | (9.1%) | 4.2% |
| 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. | 97.47% | 97.64% |
| 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 2019/20. | 22.1% | 22.0% |



Management Commentary (cont'd)

| 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. | 99.2% | 98.2% | |
| Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget. | | 1.2% | 1.6% | |
| Treasury Management | | | | |
| Financing Charges on the Council Tax | The amount the Council has paid, including principal, interest and expenses to meet the cost of capital investment and the interest rate applied. | £10.245m | £9.623m | |
| Financing Charges on the Housing Rents | | £3.729m | £4.099m | |
| Average Loans Fund Interest Rate | | 3.74% | 3.91% | |
| Debt/Long-term Borrowing | | 2019/20 Estimate | 2019/20 Actual | 2018/19 Actual |
| 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. | £216.633m | £200.099m | £188.78m |
| External Debt Levels for the current year | | £222.740m | £199.740m | £179.63m |

Review

The Council's affairs have again been managed within its operational budget (see budget performance table above). All departments' outturn spend was within budget, with Directors taking early action to apply savings during 2019/20. 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 only £964k of reserves out of the budgeted £4,312k was required to balance the accounts. This will give the Council more flexibility to address the significant financial difficulties and uncertainties in coming years.

During the year investment in Education continued with the opening of the new Maidenhill Primary School. Major works continued to meet the Scottish Government's requirement to increase the level of early years care to 1,140 hours, helping families with the cost of childcare. As part of this programme new changing facilities at Crookfur and Overlee parks are also being built.

In addition work by the Health and Social Care Partnership to create an integrated centre for excellence for older people in East Renfrewshire were also underway at Bonnyton House.

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

In addition, the Council invested a further £3.627m of capital resources in improving our roads and street lighting.

4. Financial Outcomes and Key Risks

The Council maintains a Strategic Risk Register, reviewed weekly by the Corporate Management Team and reported twice yearly to the Audit and Scrutiny Committee. The report presented on 12



Management Commentary (cont'd)

March 2020 can be found here: [Strategic Risk Register](https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26097&p=0)
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26097&p=0>

The Council monitors risks closely, seeking to mitigate them so as to deliver its strategic aims. Risk registers are also maintained at departmental level and for major projects.

In common with all other organisations, we are affected by the current challenging conditions. The key risks for the Council are listed in the table below. Demographic pressures, financial constraints and Brexit issues continue to present risks to the Council's operations and from March 2020 the impact of the Covid-19 pandemic has also been flagged as a major risk.

| KEY RISKS AND UNCERTAINTIES | |
|--|---|
| Risk | Mitigating Actions |
| Demographic pressures , particularly in relation to school pupils, people with Additional Support Needs and the elderly, cannot be accommodated within the Council's available financial and property resources. | The Council updates its demographic forecasts annually and these are used to inform both revenue and capital plans. Services are reviewed and redesigned with a view to increasing efficiency, and joint working across departments (e.g. Education, HSCP, Housing, Property and Planning) ensures focus on the most strategic issues. |
| Financial constraints restrict the Council's ability to provide the required range and quality of services, due to settlements not providing full funding for inflation and new burdens while, increasing ring-fencing of grants and limiting local flexibility. Forecasts of grant for the coming years indicate continuing reductions. Pressures relating to Covid-19 will exacerbate the position. | Medium to long term financial plans, a multi-year budget approach and close budget monitoring all assist in mitigating this risk. Financial Planning 2020-2026 Annual efficiency targets, service reviews, the Council's ambitious transformation programme and lobbying of Government are also used to reduce the threat. |
| Brexit will have a significant impact on a wide range of regulations affecting Councils. Details are not yet clear but there is potential for disruption in many areas including certain areas of the workforce, essential supplies, inflation and importing/exporting businesses. | The Council's Crisis Resilience Management Team was stood up to initiate the Council's preparations and liaise with national organisations. A Brexit Co-ordinator has been appointed and a Brexit Working Group & risk register established. National developments are being monitored, appropriate local communications issued and service specific training and mitigation put in place. |
| COVID-19 is a major risk across the Council with potential problems relating to staff availability, supply chain, service demands, financial pressures and building closures as well as significant impacts on public health, vulnerable residents and the local and national economy. These impacts are expected to affect both the Council's service provision and finances for at least the next year and will also impact on the Council's annual accounts for 2019/20, especially in relation to asset valuations. Further details of the Council's response can be found on page 23 of this document. | The Crisis Resilience Management Team and CMT met daily during the response phase of the crisis, with most buildings closed and staff working from home where possible. The Council agreed to implement emergency powers from 23 March. Updated business continuity plans are in place, as are enhanced communications and joint working locally and nationally. Risk registers have been established for both the response and recovery phases of the crisis and additional costs and Government funding are being closely monitored. In view of the anticipated longer term impact of the pandemic, the Council intends to review its medium to long term financial plans |



Management Commentary (cont'd)

The Council’s financial and outcome delivery plans are being updated to take account of the above risks and revised budgets, savings proposals and service plans will be agreed as the Council is approaching these difficulties as a part of a longer term financial strategy. This is set out in the Financial Planning paper approved by the Council on 27 February 2020 as part of the annual budget: ([Financial Strategy](#))

(<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=25973&p=0>. This strategy is characterised through factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserves and factored some utilisation of these into its plans to address future financial difficulties.

Risk Appetite

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

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

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

| | Unacceptable to take risks | | | | | Higher willingness to take risks | | | | |
|---|----------------------------|---|---|---|---|----------------------------------|---|---|---|----|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
| Reputation | █ | █ | █ | | | | | | | |
| Compliance | █ | █ | █ | | | | | | | |
| Financial | █ | █ | █ | | | | | | | |
| People and culture | | █ | █ | █ | █ | █ | █ | | | |
| Operational services | | █ | █ | █ | █ | █ | █ | | | |
| Major change activities | | | | █ | █ | █ | █ | █ | | |
| Environmental and social responsibility | | | █ | █ | █ | █ | █ | | | |

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

5. Supplementary Information

Private Finance Initiative/Public Private Partnership & Similar Contracts



Management Commentary (cont'd)

The Council has two Private Finance Initiative contracts. The first, signed on 20 April 2000, is for the provision of school facilities for 25 years ending July 2026 and the second, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for the 30 years ending April 2035. On 10 December 2004 the Council also signed a Public Private Partnership contract for the provision of further new and extended school facilities for the 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract, ending August 2042, for the construction and maintenance of a replacement Barrhead High School delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. Details of all 4 projects are provided in note 35 to the core financial statements.

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 £21.520m. 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

Events During 2019/20

Core Systems

As part of its Modern Ambitious Programme (MAP) the Council planned to replace its core financial, payroll and human resources systems. A multi-disciplinary team including stakeholders from all services was established in summer 2018 to deliver this project. The Council's new financial ledger system was successfully implemented on 2 September 2019 and subsequent phases are now being developed to offer increased functionality and efficiencies. The Council's new Human Resources (HR) and payroll system was also scheduled to go live at the end of March 2020, but the Covid-19 pandemic prevented this from happening as social distancing and lockdown measures impacted on the availability of consultants and staff. The new HR/payroll launch will now be rescheduled for later in the 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.

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.



Management Commentary (cont'd)

Transfer of Budgets

During 2018/19 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.

| Relevant union Officials | |
|--|--------------------------------------|
| Number of employees who were relevant union officials from 1 April 2019 to 31 March 2020 | Full-time equivalent employee number |
| 3 | 2FTE |

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

| Percentage of paybill spent on facility time | |
|---|-----------------|
| Total Cost of Facility Time | £98,619.49 |
| Total Wage Bill | £130,384,148.86 |
| Percentage of Wage Bill spent on facility time | 0.076% |
| 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.

COVID-19

Covid-19 was first confirmed in Scotland on 1 March 2020 and was declared as a global pandemic on 20 March 2020. The Corporate Management Team initiated daily meetings from 17 March and stood up the Crisis Resilience Management Team to oversee a tactical response. A Council meeting on 23 March set up an emergency committee of the three party leaders and agreed delegated powers for Directors. The country entered lockdown on the same day.

The Council worked very hard to maintain key services for those residents most in need, and had to prioritise the services we provide. Many of our staff still needed to be out in our communities serving the public. Our care at home, road gritting and refuse collection are just a few of the services that continued. In addition, to support the most vulnerable, the Council with the help of staff volunteers, set up some new initiatives.

New Initiatives

The Council and the Health & Social Care Partnership (HSCP) worked with and supported Voluntary Action East Renfrewshire (VAER) to establish a Community Hub connecting vulnerable and isolated



Management Commentary (cont'd)

households to a range of community supports (e.g. shopping service; welfare calls; prescription deliveries; and digital support) many of which are delivered by volunteers.

The Council was also asked by the Government to establish support arrangements for vulnerable local people including a 'shielding' service to support those with the most high risk medical conditions who were advised by the Chief Medical Officer to stay at home for at least 12 weeks in letters sent from 24 March.

We established a local helpline, email address, web content and social media encouraging 'shielding' residents to get in touch with the Council. We also proactively made phone calls to each 'shielding' resident to discuss what support they had available from family and friends and assess any residual needs, including food, prescriptions and other support including befriending and digital support.

The Council's first shielding list was received at the beginning of April and it is expected that our supporting relationship with these residents will extend far beyond the initial 12 week period and is likely to be beyond 12 months.

Councils were also asked to handle their area's calls from a national helpline targeted at other vulnerable people affected by the implications of Covid-19 – these were defined as 'Group 2' (e.g. over 70s; pregnant people; those with other specified conditions).

Temporary food provision for the most vulnerable in our community was also established using our allocation from the Scottish Government's Food Fund, which also funds the Free School Meals, and food donated from FareShare. Our residents also benefited from donations to the Barrhead foodbank.

Impact on Services

On 20 March the Scottish Government announced that all schools and nurseries would be closed and the Council closed most other public buildings on 27 March. To support key workers and our most vulnerable children and young people, hub schools were set up across the authority. Working with *out of school* care providers and East Renfrewshire Culture and Leisure Trust, hub provision was also provided during school holidays. Pupils receiving free school meals before the lockdown continued to be supported. Closure of educational establishments impacted on income from areas such as school meals, wraparound care, instrumental music lessons and the sale of spare capacity on school transport (privilege passes). All school trips scheduled until at least the end of the 2019/20 school year were also affected resulting, potentially, in claims against the Council's travel insurance policy.

In planning for the reopening of schools/nurseries, implications of ongoing social distancing requirements are emerging including, for example, possible additional cleaning throughout the school day and new arrangements for school meal provision. This will impact on the delivery of approved savings but will also lead to new cost pressures.

The pandemic also affected how health and social care was provided to the most vulnerable in our community. The HSCP put in place its initial planning including a Local Resilience Management Team on 11 March 2020 and took early decisions to prioritise services, by adapting the Health and Care Centres that remained open, and by working with our partner organisations to ensure that appropriate levels of care and support were in place in our community. Focus was placed on continuing to provide essential care and support to those identified as most vulnerable or in the greatest need, with arrangements put in place for ongoing contact (by telephone, online or periodic visits) for those requiring lower levels of support. During the crisis period, the HSCP enhanced its collaborative working arrangements with partner providers, the third sector and community groups to ensure effective support continued in the community. Support to care homes was increased through daily contact with managers to discuss the issues they faced, gather information on the impact of coronavirus, and support joint working across care homes. New services were also set up including



Management Commentary (cont'd)

a Personal Protective Equipment (PPE) Distribution Hub and a Community Assessment Centre. A mobilisation plan was produced which detailed local responses to the pandemic within East Renfrewshire and also took account of the impact across NHS Greater Glasgow and Clyde. The impact of this pandemic will have longer term implications for the way the HSCP delivers some of its services and work has started to scope this through a recovery planning process.

In addition, following Government guidance on social distancing East Renfrewshire Culture & Leisure Trust also closed its venues and on 29 April decided to apply for the Government's Job Retention Scheme for the majority of its staff.

Additionally, the Housing Revenue Account has been affected by Covid-19. Key factors being an increase in rent arrears and a reduction in capital income earned. The final effects of the former are dependent on the extent to which our tenants are impacted by external factors, e.g. the provision of additional Scottish Welfare Funding, and are still to be determined. Currently reserves are sufficiently strong which provides an element of comfort for the HRA.

The Capital Programme has also been impacted by the pandemic with delays being experienced across the plan. The Council will continue to monitor the effects and consider the impact of any additional costs on future plans.

Support provided to businesses

To help support local businesses the Scottish Government provided additional funding, managed by local Councils. This included the relaxation of Non Domestic Rate payments for retail, hospitality and leisure properties for a period of one year and the provision of grants to small businesses and to those that have recently registered as being self-employed. However, where the Council acted as an agent for the Scottish Government these costs along with the funding received are not reflected in the Consolidated Income & Expenditure Statement.

The Council was also committed to supporting local suppliers and partner providers, particularly supporting those businesses delivering public services necessary to tackle Covid-19. By following the Government's procurement guidance (Scottish Procurement Policy Note 5) payments were made to suppliers, once they had exhausted all other avenues of support, to ensure service continuity during and after the outbreak.

In line with national agreements, payments were made e.g. to Early Learning and Childcare partner providers and Strathclyde Partnership for Transport during the closure period.

Risks

In order to monitor the risks associated with the pandemic, the Corporate Management Team established a risk register which was updated regularly. The greatest threat reported was the possibility of significant staff absences as a result of self-isolation, infection or caring requirements impacting on the delivery of critical services. To mitigate this the council established a Volunteering Sub Group to enable internally available officers to be redirected to critical services. This allowed services impacted by staff shortages through absence or requiring additional staff to support increased workload to request assistance. Employees came forward to register interest and support for these opportunities and this has allowed the Council to continue to operate key services during this time.

In addition, with the introduction of lockdown, measures were put in place for as many employees as possible to work from home, and with Safe Systems of Working put in place for all others. Manager and employee guidance was issued and updated to support these new ways of working ensuring all changes to guidance were reflected. During this time regular calls with the Trade Unions have been held to ensure ongoing engagement.



Management Commentary (cont'd)

The issues in terms of workforce availability and confidence were crucial. The Human Resources Case Management team worked with members of the Environment Business Intelligence team to create an Absence Dashboard which allowed managers to access information on who in their team was affected due to the illness, was self-isolating and had underlying health conditions. Managers updated this data on a daily basis to allow assessments of the workforce to be made, to understand the implications for delivering essential services and also to maintain contact and support for those unable to attend work. Collation of absence information at a national level helped to inform discussions between senior leaders in SOLACE, COSLA and the Scottish Government regarding the impact of Covid-19 on service provision, and the key staffing issues that require some form of national consideration.

The absence rate as a result of Covid-19 including employees reporting sick, isolating, absent with caring responsibilities and non-essential employees at home unable to work from home averaged below 10% of the total workforce. This situation was monitored very closely to ensure continuation of critical frontline services during these difficult times.

During this period the Council along with the HSCP appointed Wellbeing Champions to ensure that communications on how to manage different ways of working and how to look after your physical and mental health were shared widely with both managers and employees. Messages were promoted proactively across the council advising employees of the many different supporting mechanisms accessible to them.

A further high risk related to the concern that PPE required for critical functions would be unavailable or in limited supply which could impact on safe ways of working and efforts to protect officers and the public against the spread of the virus. To mitigate this a standalone PPE sub group was established which looked at availability and purchasing of equipment. They worked proactively to understand the Council's weekly demands across Services, working closely with our suppliers, and participating in coordination activities with key partners such as Scottish Government, Scotland Excel, SOLACE Scotland, NHS, NSS and COSLA. Unprecedented global changes in the PPE supply chains made satisfying demands in this area particularly challenging. By working with all services, suppliers and partners the Council was able to respond without delay to secure the resources required and put processes in place to manage demand, stock and lead times ensuring resilience and capacity in this area.

Funding

Government funding to assist Councils in responding to the outbreak has been announced, however there is a risk that pressures facing Councils may not be fully funded by Government grants. These pressures include additional costs incurred, reductions in income generated and planned savings achievable. Increases in the average loans fund interest rate are also anticipated with reductions in cash flows to the Council resulting in short term investments with lower yields. The position is being closely monitored and budget plans for 2020/21 and beyond will have to be reviewed accordingly, together with the Council's policy for the utilisation of reserves. As the multi-year grant settlements anticipated from the Scottish and UK Governments from 2021/22 onwards are now unlikely to be announced this year, the Council will also have to review its planned approach of setting a detailed 3 year budget. A report to Council on 24 June 2020 will address these issues and we will continue to work with COSLA and the Scottish Government to ensure that future financial plans align and take cognisance of the new financial pressures faced.

Valuation of Council Assets

The pandemic will inevitably impact on the valuation of assets reported in these accounts. Less weight to previous market evidence for comparison purposes can be given to inform opinions on values as an unprecedented set of circumstances exist on which to base judgement. In this regard the Property Plant & Equipment revaluations (shown in detail in note 15) do not reflect the consequences of the



Management Commentary (cont'd)

prevailing Covid-19 pandemic and its influence on the property market and wider economy which are anticipated to be significant. The Council will keep these valuations under frequent review over coming months in accordance with guidance from the Royal Institute of Chartered Surveyors.

Restoring the Council

The Council has established a Recovery Group to lead on the short and medium term plans for restoring Council services whilst maintaining social distancing and protecting the most vulnerable residents and staff. The Corporate Management Team are developing medium to long term renewal plans to allow the Council to return to a “new normal” as the position evolves.

The outlook for future service provision will likely be a prolonged period, until a vaccine becomes available, when social distancing must be maintained and the range of Council services is only gradually restored as Safe Systems of Working are identified and implemented. Building capacity will be significantly reduced, by as much as two thirds, and restrictions will be imposed on how many staff or pupils can access offices or schools at once. Staff able to work from home will be expected to do so for as long as possible, so as to prioritise building for those staff who cannot work remotely. There will be increased reliance on ICT equipment and digital capability and the CRMT and Recovery & Renewal Groups are already considering this. Additional demands on the Council in supporting our most vulnerable residents during the pandemic will also continue into the future until a vaccine is in place. This will mean ongoing pressure on both staff and financial resources.

6. Where to Find More information

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

On Our Website - Further information on the Accounts can be obtained on the Council's website (<https://www.eastrenfrewshire.gov.uk/finance>) 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 24 September 2020

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council
24 September 2020

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 2020.

Margaret McCrossan, CPFA, Head of Accountancy (Chief Financial Officer)
8 June 2020



Annual Governance Statement 2019/20

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

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

The Code is built around these seven principles:

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

An update on progressing the actions in the Code of Corporate Governance for 2019/20 has been undertaken. Four of the five actions are complete and the completion date for one action, on developing the new Digital Customer Experience, has been revised to March 2021. This is as a result of new priority areas of work taking precedence during the COVID-19 crisis. This action will be carried forward to the 2020/21 code. An update on progressing the improvement actions in last year's code is available on the Council website (<https://www.eastrenfrewshire.gov.uk/corporategovernance>). For further information contact the Strategic Services Team, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).

The impact of responding to COVID-19 has also meant that the development of the 2020/21 action plan has been delayed for a few months and a proposed new code will be considered by the Audit and Scrutiny Committee in August 2020. On completion, the new code will be available on the Corporate Governance section of the Council website.

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

Compliance 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



Annual Governance Statement 2019/20 (cont'd)

based on International Financial Reporting Standards which details the requirements for an Annual Governance Statement.

During 2019/20 we have reviewed the system of internal control and have put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.

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) Integration 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 the Corporate Management Team and Council. Performance management reports are also published on the Council's website.



Annual Governance Statement 2019/20 (cont'd)

- Procedures in place to help members and employees comply with relevant codes of conduct and policies
- The provision of extensive training and development opportunities for all elected members and employees

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

Impact of Covid-19

The Council's ability to deliver on our objectives has of course been impacted by the Covid-19 pandemic.

A meeting of Council was held on 23 March where it was agreed that Directors should exercise delegated powers and that an emergency committee of the three party leaders would be set up to take any other decisions that may be required.

The Council has had to take measures to ensure that our Critical Services can continue to function to an acceptable level while balancing the need to protect our officers and comply with a national lockdown. The Council has prioritised critical services, in particular those which:

- Are life & limb critical
- Support a life & limb protection
- Support NHS activity
- Protect the most vulnerable community members

Additionally, Covid-19 has brought new work streams to the Council. Officers carrying out regulatory functions support enforcement activity in relation to business closures and their compliance with social distancing under The Health Protection (Coronavirus) (Restrictions) (Scotland) Regulations 2020.

The requirements of Shielding and supporting vulnerable community members has witnessed significant levels of engagement and support offered to thousands across East Renfrewshire. Our Education establishments have flexed to the challenge of supporting key workers across the area, including during the traditional Easter break period. All services have faced challenges and pressures, arising from staff self-isolating, social distancing or working from home.

In meeting the challenges of Covid-19 there has been substantial levels of internal volunteering, with our officers utilising their skills to support the community.

Undoubtedly the restoration of services will present challenges to the Council. Many of our buildings have been closed and staff displaced. We will be governed to an extent by the UK and Scottish Government's positions and support. Services will be restored when it is safe to do so, and with due consideration to any ongoing Covid response work to support vulnerable community members. We recognise that recovery and restoration will not be a quick process, and will continually consider our short, medium and longer term objectives; this will allow us to recognise the disruption and consequences arising from the pandemic, while actively considering solutions to the challenges they present.



Annual Governance Statement 2019/20 (cont'd)

We will use the learning from the response and recovery / restoration from Covid to assess the way we work and deliver services in the future.

Committee Services are currently considering the possibility of reintroducing Council meetings from June.

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 2019/20 will be presented to the Audit and Scrutiny Committee in due course. The Chief Internal Auditor's view of the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2020 will be stated there and will be recorded in the final version of this statement.

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

- *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;*
 - Vision for the Future, which sets out the long-term vision and direction for the Council, was approved in February 2020.
- *The 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;*



Annual Governance Statement 2019/20 (cont'd)

- The “Anti-Fraud, Bribery and Theft Strategy”, prepared in line with the CIPFA “Code of Practice on Managing the Risk of Fraud and Corruption” was approved by the Corporate Management Team in August 2019. The first annual “Fraud Statement” providing an update on work to address fraud, bribery and theft within the Council, had been due to be considered by the Audit and Scrutiny Committee but has been delayed due to the current Covid-19 situation.
- *Engagement of internal and external stakeholders for input into design of customer processes for implementation of new Customer Experience system and Council website;*
 - This is ongoing as part of the Digital Customer Experience Programme, including involvement of customers and use of service design approaches.
- *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.*
 - The new Quality Conversations scheme involving an annual conversation between individual staff and their managers and regular 1-2-1 and team check-ins is now embedded across the Council. A series of briefing sessions were held to support the roll out of the scheme.
- *A new finance system will be implemented, giving a higher level of control of the Council’s finances.*
 - This new finance system was implemented successfully enabling a higher level of control of the Council’s finances by managers.
- *An inspection by the Care Inspectorate of our council-run Care at Home service highlighted a number of concerns and areas for improvement*
 - The redesign and improvement plan for the Care at Home service is ongoing and includes all Care Inspectorate requirements. The programme is led by the Chief Officer and the programme oversight board is chaired by the Council’s Chief Executive. Membership includes staff side, human resources, legal services, the Chief Social Work Officer and the Intensive Services Manager and Programme Manager. A Report on progress, timelines and key milestones is also taken to each meeting of the Integration Joint Board.

Other key achievements during 2019/20 included:

- Review of Council Values completed
- Best Value Assurance report action plan was closed in April 2019.
- Online programme reporting established for the Modern Ambitious Programme (MAP) and City Deal.
- Progress on equalities and human rights mainstreaming outcomes 2017-21 was reported in April 2019.
- Local Government Digital Office completed a Digital Maturity Assessment of East Renfrewshire’s progress and a Digital Board was established for governance of the digital programme.
- Local Government Benchmarking data reported to Cabinet in March 2020.

Key actions planned for 2020/21 are:



Annual Governance Statement 2019/20 (cont'd)

- Vision for the Future – launch the vision and continue to develop quality conversations on key themes.
- Review the Council's Digital Strategy
- Implement new HR/Payroll ICT system
- Implement new Council Tax/Benefits system
- Establish a data and strategic insight programme for governance by the Digital & Data Board
- Embed new programme reporting approach into Capital project monitoring for 2020/21
- Biennial progress report on equality and human rights due in 2021.
- Continued focus on user research and service design as part of MAP.
- The development and implementation of an Information Governance Framework
- Developing a new Climate Change Strategy

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.

Assurance

We consider that the governance and internal control environment operating during 2019/20 provided reasonable and objective assurance that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken.



Annual Governance Statement 2019/20 (cont'd)

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 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 2019 the maximum annual salary for the Leader of East Renfrewshire Council was £29,119. 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 £176,892. 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 2019/20 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 £174,720. 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 February 2019 and is available at:

<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23884&p=0>

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 circular, CO/150 sets the salary levels for the Chief Executive for the period 2019/20.

3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive, those staff reporting directly to the Chief Executive and any individual receiving more than £150k in year (excluding pension costs). In addition, the guidance states that the Chief Executive of any subsidiary body should also be included, and in this regard the Chief Executive of East Renfrewshire Culture & Leisure Trust, whose salary is set by the Trust's Board, has been included. The 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:-

| | |
|---------|---|
| 2018/19 | No elections took place |
| 2019/20 | European Parliamentary Elections, 23 May 2019 UK Parliamentary Elections, 12 December 2019 |

**Remuneration Report (cont'd)**

| | | Salary, Fees and Allowances | Election work | Compensation for loss of office | Taxable Expenses and Allowances | Total |
|---|--------------------|-----------------------------------|------------------|---------------------------------------|--|--------------------|
| | | £ | £ | £ | £ | £ |
| Lorraine McMillan (Chief Executive) | 2019/20 2018/19 | 119,679 116,239 | 5,003 - | - - | - - | 124,682 116,239 |
| Mhairi Shaw (Director of Education) | 2019/20 2018/19 | 109,321 106,156 | - - | - - | 4 - | 109,325 106,156 |
| Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board) | 2019/20 2018/19 | 110,954* 107,767* | - - | - - | - - | 110,954 107,767 |
| Kate Rocks (Chief Social Work Officer) | 2019/20 2018/19 | 88,997** 86,460** | - - | - - | - - | 88,997 86,460 |
| Andrew Cahill (Director of Environment) | 2019/20 2018/19 | 109,315 106,175 | - - | - - | - - | 109,315 106,175 |
| Margaret McCrossan (Head of Accountancy/ Chief Financial Officer) | 2019/20 2018/19 | 97,473 94,694 | 230 - | - - | - - | 97,703 94,694 |
| Caroline Innes (Deputy Chief Executive) | 2019/20 2018/19 | 109,315 106,175 | 355 - | - - | - - | 109,670 106,175 |
| Gerry Mahon (Chief Officer – Legal and Procurement) | 2019/20 2018/19 | 77,166 74,971 | 355 - | - - | - - | 77,521 74,971 |
| Michelle Blair (Chief Auditor) | 2019/20 2018/19 | 55,225 53,658 | 405 - | - - | - - | 55,630 53,658 |
| Anthony McReavy (Chief Executive Culture & Leisure Trust) | 2019/20 2018/19 | 84,759 82,341 | - - | - - | 10 - | 84,769 82,341 |

* This salary is funded jointly with 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 2019/20 (E + M) (N) £ | Total Salary Expenses 2018/19 (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 | | 29,119 | 0 | 29,119 | 82 | 29 | 0 | 0 | 0 | 544 | 159 | 814 | 29,933 | 29,453 |
| Convery | Chair of Licensing Committee | | 21,840 | 0 | 21,840 | 0 | 0 | 0 | 0 | 0 | 0 | 66 | 66 | 21,906 | 21,209 |
| Cunningham | Deputy Provost | 2 | 21,840 | 0 | 21,840 | 0 | 0 | 0 | 0 | 0 | 0 | 180 | 180 | 22,020 | 21,422 |
| Devlin | Convener for Housing & Maintenance Services | | 21,840 | 0 | 21,840 | 0 | 0 | 0 | 0 | 0 | 0 | 349 | 349 | 22,189 | 21,511 |
| Fletcher | Provost | | 21,840 | 0 | 21,840 | 0 | 0 | 2,996 | 0 | 0 | 0 | 212 | 3,208 | 25,048 | 24,224 |
| Ireland | Chair of Planning Applications/Local Review Body | | 21,840 | 0 | 21,840 | 0 | 0 | 8 | 0 | 0 | 0 | 66 | 74 | 21,914 | 21,215 |
| Lafferty | Convener for Environment | | 21,840 | 0 | 21,840 | 0 | 0 | 0 | 0 | 0 | 0 | 215 | 215 | 22,055 | 21,391 |
| Merrick | Convener for Community Services and Community Safety | | 21,840 | 0 | 21,840 | 0 | 0 | 61 | 0 | 0 | 0 | 48 | 109 | 21,949 | 21,189 |
| Miller | Chair of Audit Committee | | 21,840 | 0 | 21,840 | 0 | 0 | 14 | 0 | 0 | 0 | 71 | 85 | 21,925 | 21,246 |
| O'Kane | Convener for Education and Equalities | 1 | 21,840 | 0 | 21,840 | 0 | | 61 | 0 | 0 | 544 | 78 | 683 | 22,523 | 21,765 |
| Sub total | Senior Councillors | | 225,679 | 0 | 225,679 | 82 | 29 | 3,140 | 0 | 0 | 1,088 | 1,444 | 5,783 | 231,462 | 224,625 |
| | All other Councillors | | 139,760 | 0 | 139,760 | 512 | 102 | 0 | 0 | 20 | 544 | 1,947 | 3,125 | 142,885 | 138,908 |
| | Total | | 365,439 | 0 | 365,439 | 594 | 131 | 3,140 | 0 | 20 | 1,632 | 3,391 | 8,908 | 374,347 | 363,533 |

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 £3,048. 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 2019/20 and 2018/19 are as follows:-

| Actual Pensionable pay | Contribution rate | Actual Pensionable Pay | Contribution rate |
|--|-------------------|--|-------------------|
| | 2019/20 | | 2018/19 |
| On pensionable pay up to and including £27,697 | 7.2% | On pensionable pay up to and including £27,697 | 7.2% |
| On pensionable pay £27,698 to £37,284 | 8.7% | On pensionable pay £27,698 to £37,284 | 8.7% |
| On pensionable pay £37,285 to £44,209 | 9.7% | On pensionable pay £37,285 to £44,209 | 9.7% |
| On pensionable pay £44,210 to £58,590 | 10.4% | On pensionable pay £44,210 to £58,590 | 10.4% |
| On pensionable pay £58,591 to £79,895 | 11.5% | On pensionable pay £58,591 to £79,895 | 11.5% |
| On pensionable pay above £79,896 | 11.9% | On pensionable pay above £79,896 | 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 2020 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 | | 2019/20 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2019 | |
|---|------------------------------|---------|-------------------------------------|----------|--|----------|
| | 2019/20 | 2018/19 | Pension | Lump Sum | Pension | Lump Sum |
| | £ | £ | £ | £ | £ | £ |
| Lorraine McMillan (Chief Executive) | 23,098 | 22,434 | 25,997 | 4,684 | 2,388 | 6 |
| Mhairi Shaw (Director of Education) | 21,099 | 20,488 | 62,054 | 119,231 | 3,869 | 3,473 |
| Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board) | 21,414 | 20,799 | 42,146 | 58,504 | 3,374 | 1,704 |
| Kate Rocks (Chief Social Work Officer) | 17,176 | 16,687 | 30,906 | 38,547 | 2,623 | 1,122 |
| Andrew Cahill (Director of Environment) | 21,099 | 20,492 | 57,407 | 105,291 | 3,787 | 3,067 |
| Margaret McCrossan (Head of Accountancy / Chief Financial Officer) | 18,812 | 18,276 | 53,705 | 101,786 | 3,451 | 2,964 |
| Caroline Innes (Deputy Chief Executive) | 21,099 | 20,492 | 54,486 | 96,565 | 3,690 | 2,813 |
| Gerry Mahon (Chief Officer – Legal and Procurement) | 14,893 | 14,469 | 30,390 | 44,169 | 2,377 | 1,283 |
| Michelle Blair (Chief Auditor) | 10,659 | 10,356 | 21,818 | 31,838 | 1,703 | 923 |
| Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust) | 16,358 | 15,892 | 7,716 | - | 1,871 | - |



Remuneration Report (cont'd)

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2020 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 | | 2019/20 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2019 | |
|---|------------------------------|--------------|----------------------------------|---------------|--|---------------|
| | 2019/20 £ | 2018/19 £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| Cllr Buchanan – Leader of the Council | 5,620 | 5,445 | 5,454 | 1,554 | 775 | 73 |
| Cllr Convery – Chair of Licensing Committee | 4,215 | 4,084 | 1,296 | - | 466 | - |
| Cllr Cunningham – Deputy Provost | - | - | - | - | - | - |
| Cllr Devlin – Convener for Housing & Maintenance | 4,215 | 4,100 | 1,241 | - | 465 | - |
| Cllr Fletcher – Provost | 4,215 | 4,084 | 6,658 | 2,365 | 365 | - |
| Cllr Ireland – Chair of Planning Applications / Local Review Body | 4,215 | 4,084 | 1,296 | - | 466 | - |
| Cllr Lafferty – Convener for Environment | 4,215 | 4,084 | 5,028 | 1,633 | 554 | 39 |
| Cllr Merrick – Convener for Community Services and Community Safety | 4,215 | 4,084 | 1,296 | - | 466 | - |
| Cllr Miller – Chair of Audit Committee | 4,215 | 4,084 | 4,557 | 1,444 | 568 | 49 |
| Cllr O'Kane – Convener for Education & Equalities | 4,215 | 4,084 | 2,966 | - | 503 | - |

All senior members shown in the above table, with the exception of Cllr Cunningham, 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 | 2019/20 | | | | 2018/19 | | | |
|---------------------|----------|---------------------|-----------|-------|----------|---------------------|-----------|-------|
| | Teachers | Number of employees | | Total | Teachers | Number of employees | | Total |
| | | Left | Employees | | | Left | Employees | |
| | | during | | | | during | | |
| | | year | | | | year | | |
| £50,000 - £54,999 | 100 | - | 24 | 124 | 46 | 2 | 24 | 72 |
| £55,000 - £59,999 | 65 | 4 | 20 | 89 | 35 | 4 | 7 | 46 |
| £60,000 - £64,999 | 31 | 5 | 8 | 44 | 4 | - | 3 | 7 |
| £65,000 - £69,999 | 14 | 1 | 1 | 16 | 4 | 2 | 4 | 10 |
| £70,000 - £74,999 | 3 | - | 2 | 5 | 1 | 3 | 2 | 6 |
| £75,000 - £79,999 | 4 | 1 | 2 | 7 | 1 | 2 | 1 | 4 |
| £80,000 - £84,999 | 1 | 1 | 9 | 11 | 1 | 1 | 9 | 11 |
| £85,000 - £89,999 | 1 | 2 | 2 | 5 | 2 | - | 1 | 3 |
| £90,000 - £94,999 | 1 | 1 | - | 2 | - | - | 1 | 1 |
| £95,000 - £99,999 | 2 | 2 | 1 | 5 | - | - | - | - |
| £100,000 - £104,999 | - | 1 | - | 1 | - | - | - | - |
| £105,000 - £109,999 | - | 1 | 3 | 4 | - | - | 4 | 4 |
| £110,000 - £114,999 | - | - | 1 | 1 | - | - | - | - |
| £115,000 - £119,999 | - | - | 1 | 1 | - | - | 1 | 1 |
| £120,000 - £124,999 | - | 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 | |
|--|--------------------------|-----------|-------------------|------------------|---------------------------|----------------|--|------------------|
| | 2019/20 | 2018/19 | £ 2019/20 | £ 2018/19 | £ 2019/20 | £ 2018/19 | 2019/20 | 2018/19 |
| £0-£20,000 | 65 | 15 | 99,875 | 119,352 | - | 43,512 | 99,875 | 162,864 |
| £20,001-£40,000 | 8 | 7 | 181,670 | 179,553 | 79,497 | 12,376 | 261,167 | 191,929 |
| £40,001-£60,000 | 8 | 10 | 378,370 | 445,138 | 17,471 | 65,595 | 395,841 | 510,733 |
| £60,001-£80,000 | 9 | 3 | 595,633 | 121,545 | 31,105 | 74,581 | 626,738 | 196,126 |
| £80,001-£100,000 | 1 | 4 | 47,579 | 355,308 | 46,469 | - | 94,048 | 355,308 |
| £100,001- £150,000 | 2 | 5 | 189,786 | 603,445 | 59,271 | - | 249,057 | 603,445 |
| >£150,001 | 2 | 0 | 257,353 | - | 80,830 | - | 338,183 | - |
| Total Cost included in CIES | 95 | 44 | 1,750,266 | 1,824,341 | 314,643 | 196,064 | 2,064,909 | 2,020,405 |

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 2019 | | | Year Ended 31 March 2020 | | | |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 139,461 | (11,335) | 128,126 | Education | 148,927 | (13,417) | 135,510 |
| 113,974 | (65,951) | 48,023 | HSCP – Provision of Services | 118,079 | (67,380) | 50,699 |
| 40,736 | (8,512) | 32,224 | Environment | 37,650 | (11,522) | 26,128 |
| 22,266 | (15,839) | 6,427 | Corporate & Community – Community Resources | 20,958 | (14,530) | 6,428 |
| 373 | (115) | 258 | Chief Executive's Office | 419 | (164) | 255 |
| 14,006 | (4,165) | 9,841 | Other Expenditure | 8,538 | (3,557) | 4,981 |
| 3,489 | (235) | 3,254 | Support Services – Chief Executive's Office | 3,471 | (210) | 3,261 |
| 11,531 | (705) | 10,826 | Support Services – Corp & Comm. | 14,849 | (2,165) | 12,684 |
| 2,597 | (456) | 2,141 | Support Services – Environment | 3,221 | (854) | 2,367 |
| 348,433 | (107,313) | 241,120 | Cost of general fund services | 356,112 | (113,799) | 242,313 |
| 16,278 | (11,858) | 4,420 | HRA | 18,285 | (12,562) | 5,723 |
| 364,711 | (119,171) | 245,540 | Cost of Services | 374,397 | (126,361) | 248,036 |
| | | (1,818) | Other operating expenditure (Note 12) | | | (1,041) |
| | | 12,295 | Financing and investment income and expenditure (Note 13) | | | 13,234 |
| | | <u>(245,766)</u> | Taxation and non-specific grant income (Note 14) | | | <u>(254,578)</u> |
| | | 10,251 | (Surplus) or Deficit on Provision of Services | | | 5,651 |
| | | (11,718) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 25) | | | (16,472) |
| | | 125 | Impairment losses on non-current assets charged to the Revaluation Reserve (Note 25) | | | 80 |
| | | - | Surplus or deficit on revaluation of available for sale financial assets | | | - |
| | | 33,596 | Actuarial (gains)/losses on pension assets/liabilities (Note 25) | | | (59,748) |
| | | 22,003 | Other Comprehensive (Income) and Expenditure | | | (76,140) |
| | | 32,254 | Total Comprehensive (Income) and Expenditure | | | (70,489) |



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 Restated £000 | Total Authority Reserves £000 |
|--|---|---|---------------------------------------|---------------------------------------|---------------------------|----------------------------|-------------------------------------|--|--|
| Balance at 31 March 2019 carried forward | (10,554) | (19,049) | (1,718) | (6,581) | (1,950) | (3,835) | (43,687) | (357,693) | (401,380) |
| Movement in reserves during 2019/20 | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 200 | - | 5,451 | - | - | - | 5,651 | (76,140) | (70,489) |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | (1,310) | - | (6,049) | - | - | 1,200 | (6,159) | 6,159 | - |
| (Increase)/Decrease in 2019/20 | (1,110) | - | (598) | - | - | 1,200 | (508) | (69,981) | (70,489) |
| Net transfer to or from reserves | 2,074 | (2,795) | - | 752 | (10) | (21) | - | - | - |
| Balance at 31 March 2020 carried forward | (9,590) | (21,844) | (2,316) | (5,829) | (1,960) | (2,656) | (44,195) | (427,674) | (471,869) |
| | | | | | | | | | |
| | | | | | | | | | |
| 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 | 7,657 | - | 2,594 | - | - | - | 10,251 | 22,003 | 32,254 |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | (11,971) | - | (2,683) | - | - | 10,573 | (4,081) | 4,081 | - |
| (Increase)/Decrease in 2018/19 | (4,314) | - | (89) | - | - | 10,573 | 6,170 | 26,084 | 32,254 |
| Net transfer to or from reserves | 3,893 | (2,752) | - | 1,829 | (16) | (2,954) | - | - | - |
| Balance at 31 March 2019 carried forward | (10,554) | (19,049) | (1,718) | (6,581) | (1,950) | (3,835) | (43,687) | (357,693) | (401,380) |



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 2019 £000 | | Notes | 31 March 2020 £000 |
|-----------------------|-----------------------------------|-------|-----------------------|
| 686,906 | Property, Plant & Equipment | 15 | 725,284 |
| 234 | Heritage Assets | 16 | 234 |
| 386 | Intangible Assets | 17 | 289 |
| 271 | Investments | 19 | 262 |
| 687,797 | Long Term Assets | | 726,069 |
| 1,034 | Assets Held for Sale | 18 | 986 |
| 447 | Short Term Intangible Assets | | 481 |
| 456 | Inventories | | 497 |
| 15,791 | Short Term Debtors | 20 | 15,165 |
| 33,997 | Short Term Investments | | 34,249 |
| 30,140 | Cash and Cash Equivalents | 22 | 36,139 |
| 81,865 | Current Assets | | 87,517 |
| (2,163) | Short Term Borrowing | | (561) |
| (4,732) | Finance Leases including PFI/PPP | 19 | (4,787) |
| (48,516) | Short Term Creditors | 23 | (43,221) |
| (152) | Provisions – short term | 24 | (209) |
| (55,563) | Current Liabilities | | (48,778) |
| (151) | Provisions – long term | 24 | (157) |
| (87,788) | Long Term Borrowing | 19 | (114,226) |
| (93) | Long Term Creditors | 19,23 | (93) |
| (85,748) | PFI/PPP Finance Lease | 19 | (80,960) |
| (134,841) | Defined Benefit Pension Liability | 39 | (91,435) |
| (4,098) | Capital Grant Receipts in Advance | 31 | (6,068) |
| (312,719) | Long Term Liabilities | | (292,939) |
| 401,380 | Net Assets | | 471,869 |
| (43,687) | Usable Reserves | 11 | (44,195) |
| (357,693) | Unusable Reserves | 25 | (427,674) |
| (401,380) | Total Reserves | | (471,869) |

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 8th June 2020



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.

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 10,251 | Net (surplus) or deficit on the provision of services | 5,651 |
| (36,849) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26) | (13,468) |
| - | - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| <hr/> | | <hr/> |
| (26,598) | Net cash flows from Operating Activities | (7,817) |
| 23,729 | Investing Activities (Note 27) | 21,678 |
| 6,952 | Financing Activities (Note 28) | (19,860) |
| <hr/> | | <hr/> |
| 4,083 | Net (increase) or decrease in cash and cash equivalents | (5,999) |
| (34,223) | Cash and cash equivalents at the beginning of the reporting period | (30,140) |
| <hr/> | | <hr/> |
| (30,140) | Cash and cash equivalents at the end of the reporting period (Note 22) | (36,139) |
| <hr/> | | <hr/> |



Notes to the Accounts

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 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 2.3% (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 pension 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 39) - 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.

Events after the Balance Sheet date

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

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

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

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.



Notes to the Accounts (cont'd)

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. 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 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 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.



Notes to the Accounts (cont'd)

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 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.

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 35 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 7.21% 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. 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.

| Net Expenditure Chargeable to the General Fund and HRA Balances £'000 | 2018/19 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 | | 2019/20 | Net Expenditure in the Comprehensive Income & Expenditure Statement £'000 |
|--|---|--|---|---|--|
| | Adjustments Between Funding & Accounting Basis (See Note 3) £'000 | | | Adjustments Between Funding & Accounting Basis (See Note 3) £'000 | |
| 117,512 | 10,614 | 128,126 | Education | 126,409 | 135,510 |
| 45,600 | 2,423 | 48,023 | HSCP - Provision of Services | 47,277 | 50,699 |
| 22,941 | 9,283 | 32,224 | Environment | 21,320 | 26,128 |
| 5,988 | 439 | 6,427 | Corporate & Community – Community Resources | 5,657 | 6,428 |
| (57) | 315 | 258 | Chief Executive's Office | (23) | 255 |
| 10,427 | (586) | 9,841 | Other Expenditure | 11,645 | 4,981 |
| 2,869 | 385 | 3,254 | Support Services – Chief Executive's Office | 2,737 | 3,261 |
| 8,230 | 2,596 | 10,826 | Support Services – Corp & Comm. | 9,050 | 12,684 |
| 1,913 | 228 | 2,141 | Support Services – Environment | 1,885 | 2,367 |
| 215,423 | 25,697 | 241,120 | Net Cost of General Fund Services | 225,957 | 242,313 |
| 98 | 4,322 | 4,420 | HRA | (302) | 5,723 |
| 215,521 | 30,019 | 245,540 | Cost of Services | 225,655 | 248,036 |
| (831) | (987) | (1,818) | Other operating expenditure | (821) | (1,041) |
| 9,412 | 2,883 | 12,295 | Financing and investment income and expenditure | 9,015 | 13,234 |
| (227,364) | (18,402) | (245,766) | Taxation and non-specific grant income | (236,278) | (254,578) |
| (3,262) | 13,513 | 10,251 | (Surplus) / Deficit on Provision of Services | (2,429) | 5,651 |
| (28,059) | | | Opening General Fund and HRA Balance | (31,321) | |
| (3,262) | | | (Surplus) / Deficit on General Fund and HRA Balance in Year | (2,429) | |
| (31,321) | | | Closing General Fund and HRA Balance* | (33,750) | |

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



Notes to the Accounts (cont'd)

3. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

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

| 2019/20 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|--|---|----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Education | 9,845 | 4,015 | (4,759) | 9,101 |
| HSCP – Provision of Services | 489 | 2,974 | (41) | 3,422 |
| Environment | 3,737 | 2,098 | (1,027) | 4,808 |
| Corporate & Community – Community Resources | (12) | 742 | 41 | 771 |
| Chief Executive's Office | - | - | 278 | 278 |
| Other Expenditure | - | 538 | (7,202) | (6,664) |
| Support Services – Chief Executive's Office | - | 486 | 38 | 524 |
| Support Services – Corp & Comm. | 2,424 | 1,255 | (45) | 3,634 |
| Support Services – Environment | 227 | 252 | 3 | 482 |
| Net Cost of General Fund Services | 16,710 | 12,360 | (12,714) | 16,356 |
| HRA | 9,290 | 591 | (3,856) | 6,025 |
| Cost of Services | 26,000 | 12,951 | (16,570) | 22,381 |
| Other Operating Expenditure | (220) | - | - | (220) |
| Financing & Investment Income & Expenditure | - | 3,391 | 828 | 4,219 |
| Taxation & Non-Specific Grant Income | (18,300) | - | - | (18,300) |
| (Surplus)/Deficit on Provision of Services | 7,480 | 16,342 | (15,742) | 8,080 |

| 2018/19 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|--|---|----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Education | 10,645 | 2,940 | (2,971) | 10,614 |
| 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 | - | 7,077 | (7,663) | (586) |
| Support Services – Chief Executive's Office | - | 413 | (28) | 385 |
| Support Services – Corp & Comm. | 1,859 | 910 | (173) | 2,596 |
| Support Services – Environment | 226 | - | 2 | 228 |
| Net Cost of General Fund Services | 21,301 | 15,896 | (11,500) | 25,697 |
| HRA | 8,232 | 450 | (4,360) | 4,322 |
| Cost of Services | 29,533 | 16,346 | (15,860) | 30,019 |
| Other Operating Expenditure | (987) | - | - | (987) |
| Financing & Investment Income & Expenditure | - | 2,445 | 438 | 2,883 |
| Taxation & Non-Specific Grant Income | (18,402) | - | - | (18,402) |
| (Surplus)/Deficit on Provision of Services | 10,144 | 18,791 | (15,422) | 13,513 |



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.

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

The code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2020/21 code:-

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement

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



Notes to the Accounts (cont'd)

5. EXPENDITURE AND INCOME ANALYSED BY SERVICE

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

2019/20

| 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 |
|---|-----------------|-----------------|-----------------|---|--------------------------|-------------------|------------------|-------------------------|---------------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | | | | | | | |
| Employee expenses | 105,387 | 24,596 | 16,636 | 5,523 | 23 | 538 | 15,734 | 4,225 | 3,391 | 176,053 |
| Other services expenses | 33,695 | 43,429 | 17,277 | 15,447 | 396 | 8,000 | 3,156 | 4,770 | | 126,170 |
| Depreciation, amortisation, impairment | 9,845 | 489 | 3,737 | (12) | | | 2,651 | 9,290 | | 26,000 |
| Interest payments | - | - | - | - | - | - | - | - | 10,327 | 10,327 |
| Gain on the disposal of assets | - | - | - | - | - | - | - | - | (220) | (220) |
| Total expenditure | 148,927 | 68,514 | 37,650 | 20,958 | 419 | 8,538 | 21,541 | 18,285 | 13,498 | 338,330 |
| Income | | | | | | | | | | |
| Fees, charges and other service income | (7,239) | (17,016) | (10,079) | (1,035) | (164) | (3,557) | (3,204) | (12,562) | (821) | (55,677) |
| Interest and investment income | - | - | - | - | - | - | - | - | (484) | (484) |
| Income from council tax | - | - | - | - | - | - | - | - | (52,170) | (52,170) |
| Government grants and contributions (Note 31) | (6,178) | (799) | (1,443) | (13,495) | - | - | (25) | - | (202,408) | (224,348) |
| Total income | (13,417) | (17,815) | (11,522) | (14,530) | (164) | (3,557) | (3,229) | (12,562) | (255,883) | (332,679) |
| (Surplus)/Deficit on the Provision of Services | 135,510 | 50,699 | 26,128 | 6,428 | 255 | 4,981 | 18,312 | 5,723 | (242,385) | 5,651 |

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 |
|---|-----------------|-----------------|----------------|---|--------------------------|-------------------|------------------|-------------------------|---------------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | | | | | | | |
| Employee expenses | 94,812 | 22,398 | 15,479 | 5,480 | 128 | 7,077 | 13,620 | 3,953 | 2,445 | 165,392 |
| Other services expenses | 34,004 | 42,784 | 16,933 | 16,774 | 245 | 6,929 | 1,912 | 4,093 | - | 123,674 |
| Depreciation, amortisation, impairment | 10,645 | 235 | 8,324 | 12 | - | - | 2,085 | 8,232 | - | 29,533 |
| Interest payments | - | - | - | - | - | - | - | - | 10,888 | 10,888 |
| Gain on the disposal of assets | - | - | - | - | - | - | - | - | (987) | (987) |
| Total expenditure | 139,461 | 65,417 | 40,736 | 22,266 | 373 | 14,006 | 17,617 | 16,278 | 12,346 | 328,500 |
| 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 31) | (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 | 128,126 | 48,023 | 32,224 | 6,427 | 258 | 9,841 | 16,221 | 4,420 | (235,289) | 10,251 |



Notes to the Accounts (cont'd)

6. 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.
- The Covid-19 pandemic will have an inevitable impact on the valuation of assets reported in these accounts. Less weight to previous market evidence for comparison purposes can be given to inform opinions on values as an unprecedented set of circumstances exist on which to base judgement. In this regard the Property Plant & Equipment revaluations (shown in detail in note 15) do not reflect the consequences of the prevailing COVID-19 pandemic and its influence on the property market and wider economy which are anticipated to be significant. The Council will keep these valuations under frequent review over coming months in accordance with guidance from the Royal Institute of Chartered Surveyors.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 2020 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 pension 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 £60.56m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £10.32m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £49.31m |

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

| | | |
|--|--|--|
| Pensions Liability – <i>McCloud/Sargeant</i> ruling | When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members. Due to a recent Court of Appeal ruling (<i>McCloud/Sargeant</i>) these protections may need enhanced to all eligible members. A form of consulting actuaries was engaged to provide the Authority with expert advice about the assumptions to be applied. | The effects on the net pension liability as provided by the form of consulting activities results in an estimated increase of £6.767m. This is reflected in the Balance Sheet. |
| Property Values | The calculation of the value of certain non-current assets is dependent on their assumed level of occupancy. | The all-risk yield applied reflects the relative security of the buildings anticipated income stream, any movement in this will have an impact on the valuation. |
| Arrears | At 31 March 2020, the Authority had a balance of sundry debtors of £2.28M. A review of significant balances suggested that an impairment of doubtful debts of 48.26%/ £1.1m 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 £1.1m to be set aside as an allowance. |

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

8. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – 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 | - |
| Sale Proceeds | (220) |
| (Profit)/loss on disposal | <u>(220)</u> |

9. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 8 June 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**Notes to the Accounts (cont'd)****10. MOVEMENT IN RESERVES STATEMENT – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the 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 25.

| 2019/20 | 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 | (16,577) | (9,290) | | | | 25,867 |
| Amortisation of intangible assets (Note 17) | (133) | | | | | 133 |
| Capital grants and contributions applied (Note 33) | 16,875 | 1,425 | | | | (18,300) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8) | 216 | 4 | | | | (220) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 12,002 | 2,567 | | | | (14,569) |
| Capital expenditure charged against the General Fund and HRA balances | 2,231 | - | | | | (2,231) |
| Voluntary provision for repayment of debt (Note 25) | 108 | | | | | (108) |
| Adjustments primarily involving the Capital Reserve: | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 33) | | | 1,200 | | | (1,200) |
| 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 25) | 10 | | | | | (10) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 25) | (15,589) | (753) | | | | 16,342 |
| 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 25) | (453) | (2) | | | | 455 |
| Total Adjustments (see MIRS) | (1,310) | (6,049) | 1,200 | - | - | 6,159 |

**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 | (21,061) | (8,232) | - | - | - | 29,293 |
| Amortisation of intangible assets (Note 17) | (240) | - | - | - | - | 240 |
| Capital grants and contributions applied (Note 33) | 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 8) | (913) | (207) | 2,107 | - | - | (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 25) | 108 | - | - | - | - | (108) |
| Adjustments primarily involving the Capital Reserve: | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 33) | - | - | 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 25) | 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 25) | (18,222) | (569) | - | - | - | 18,791 |
| 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 25) | (395) | (3) | - | - | - | 398 |
| Total Adjustments (see MIRS) | (11,971) | (2,683) | 10,573 | - | - | 4,081 |

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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2019/20.

| | Balance at 31 March 2018 £000 | Transfers Out 2018/19 £000 | Transfers In 2018/19 £000 | Balance at 31 March 2019 £000 | Transfers Out 2019/20 £000 | Transfers In 2019/20 £000 | Balance at 31 March 2020 £000 |
|-------------------------------|--|-------------------------------------|---------------------------------|--|-------------------------------------|---------------------------------|--|
| Non-earmarked Reserve | (10,133) | 1,786 | (2,207) | (10,554) | 2,074 | (1,110) | (9,590) |
| Equalisation Reserve | (2,558) | - | (241) | (2,799) | - | (36) | (2,835) |
| Modernisation Fund | (7,292) | 694 | (1,062) | (7,660) | 652 | (42) | (7,050) |
| Unspent Grants | (1,102) | 1,102 | (2,003) | (2,003) | 2,003 | (5,246) | (5,246) |
| Whitelee Wind Farm | (780) | 374 | (286) | (692) | 239 | (294) | (747) |
| Commuted Sums | (2,294) | 248 | (447) | (2,493) | 1,342 | (1,009) | (2,160) |
| Devolved School Management | (2,271) | 569 | (1,500) | (3,202) | 1,737 | (2,141) | (3,606) |
| Feasibility Fund | - | - | (200) | (200) | - | - | (200) |
| General Fund Total | (26,430) | 4,773 | (7,946) | (29,603) | 8,047 | (9,878) | (31,434) |
| HRA | (1,629) | 300 | (389) | (1,718) | - | (598) | (2,316) |
| Capital Reserve | (11,454) | 8,466 | (847) | (3,835) | 1,200 | (21) | (2,656) |
| Repairs and Renewal Fund | (8,410) | 3,035 | (1,206) | (6,581) | 1,791 | (1,039) | (5,829) |
| Insurance Fund | (1,934) | - | (16) | (1,950) | - | (10) | (1,960) |
| Total | (49,857) | 16,574 | (10,404) | (43,687) | 11,038 | (11,546) | (44,195) |

12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

| | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| (Gain)/Loss on disposal of Fixed Asset (See Note 8) | (220) | (987) |
| Rental Income – operating lease over property, plant and equipment | (821) | (831) |
| | (1,041) | (1,818) |

**Notes to the Accounts (cont'd)****13. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

| | 2019/20 £000 | 2018/19 £000 |
|--|-------------------------|-------------------------|
| Interest payable and similar charges | 10,325 | 10,885 |
| Pension interest costs and expected return on pension assets | 3,391 | 2,445 |
| Interest receivable and similar income | (484) | (1,038) |
| Expected credit loss | 2 | 3 |
| Total | 13,234 | 12,295 |

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

| | 2019/20 £000 | 2018/19 £000 |
|-----------------------------------|-------------------------|-------------------------|
| Council Tax income | (52,170) | (50,114) |
| Non domestic rates | (15,377) | (14,318) |
| Non ring-fenced government grants | (168,731) | (162,932) |
| Capital grants and contributions | (18,300) | (18,402) |
| Total | (254,578) | (245,766) |

**Notes to the Accounts (cont'd)****15. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2019/20**

| | 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 2019 | 174,859 | 332,869 | 40,462 | 40,120 | 3,322 | 2,507 | 15,810 | 147,251 | 757,200 |
| Additions | 7,326 | 6,987 | 7,224 | 4,918 | 138 | - | 20,246 | 1,054 | 47,893 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 11,329 | 4,925 | - | - | - | 138 | - | - | 16,392 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,256) | 37 | - | - | - | 129 | - | - | (2,090) |
| Derecognition – disposals | - | - | (1,140) | - | - | - | - | - | (1,140) |
| Derecognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Assets transferred to/from assets under construction | 3,427 | 13,785 | - | - | - | - | (17,212) | - | - |
| Assets transferred to/from Surplus Assets | - | - | - | - | - | - | - | - | - |
| Depreciation written back on revaluation | (6,016) | (526) | - | - | - | (2) | - | - | (6,544) |
| At 31 March 2020 | 188,669 | 358,077 | 46,546 | 45,038 | 3,460 | 2,772 | 18,844 | 148,305 | 811,711 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2019 | (10,064) | (5,853) | (31,334) | (11,219) | - | (52) | - | (11,772) | (70,294) |
| Depreciation charge | (6,893) | (6,984) | (5,069) | (1,470) | - | (2) | - | (3,428) | (23,846) |
| Depreciation written out on revaluation and disposal | 6,016 | 526 | 1,117 | - | - | 2 | - | - | 7,661 |
| Derecognition | - | - | - | - | - | 52 | - | - | 52 |
| At 31 March 2020 | (10,941) | (12,311) | (35,286) | (12,689) | - | - | - | (15,200) | (86,427) |
| Net Book Value At 31 March 2020 | 177,728 | 345,766 | 11,260 | 32,349 | 3,460 | 2,772 | 18,844 | 133,105 | 725,284 |
| At 31 March 2019 | 164,795 | 327,016 | 9,128 | 28,901 | 3,322 | 2,455 | 15,810 | 135,479 | 686,906 |

**Notes to the Accounts (cont'd)****Comparative 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 | 4,627 | 2,542 | 333 | 9 | 19,929 | 1,284 | 40,762 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 7,705 | 3,885 | - | - | - | - | - | - | 11,590 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (1,603) | (5,300) | - | - | - | - | - | - | (6,903) |
| 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) | (1,899) | - | - | - | - | - | - | (7,340) |
| At 31 March 2019 | 174,859 | 332,869 | 40,462 | 40,120 | 3,322 | 2,507 | 15,810 | 147,251 | 757,200 |
| 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) | (4,373) | (1,256) | - | (26) | - | (3,705) | (22,390) |
| Depreciation written out on revaluation and disposal | 5,442 | 1,899 | 673 | - | - | - | - | - | 8,014 |
| Derecognition | - | - | - | - | - | - | - | - | - |
| At 31 March 2019 | (10,064) | (5,853) | (31,334) | (11,219) | - | (52) | - | (11,772) | (70,294) |
| Net Book Value At 31 March 2019 | 164,795 | 327,016 | 9,128 | 28,901 | 3,322 | 2,455 | 15,810 | 135,479 | 686,906 |
| 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)

Depreciation

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

- Council Dwellings – 30 - 40 years
- Other Land and Buildings - 10 - 50 years
- Vehicles, Plant, Furniture & Equipment - 4 - 20 years.
- Infrastructure - 23 years
- Community Assets – 0 - 20 years

Capital Commitments

At 31 March 2020, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2020/21 and future years. The major commitments include the following projects which have been stated at full project cost:-

| | £000 |
|---|-------------|
| Primary School Newton Mearns | 15,050 |
| Early Learning & Childcare Expansion to 1,140 hours | 24,902 |
| Core System Upgrade | 3,500 |
| Wireless Local Area Network | 1,050 |
| House Building Programme | 14,747 |

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, Car Parks, Development Sites, Recreation Grounds and Cemeteries. 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.

Please note, however, that these valuations do not reflect the consequences of the prevailing COVID-19 pandemic and its influence on the property market and wider economy which are anticipated to be significant.

**Notes to the Accounts (cont'd)****16. 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 2019 | 94 | 65 | 159 | 75 | 75 | 234 |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2020 | 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 2018 | 94 | 65 | 159 | 75 | 75 | 234 |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2019 | 94 | 65 | 159 | 75 | 75 | 234 |

Further details on Heritage Assets can be found in Note 42.



Notes to the Accounts (cont'd)

17. 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 £133k charged to revenue in 2019/20 was charged to the IT Administration cost centre.

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

| | 2019/20 Software Licences £000 | 2018/19 Software Licences £000 |
|---|---|---|
| Balance at start of year: | | |
| • Gross carrying amounts | 1,606 | 1,216 |
| • Accumulated amortisation | (1,220) | (980) |
| Net carrying amount at start of year | 386 | 236 |
| Additions: | | |
| • Internal development | - | - |
| • Purchases | 36 | 390 |
| • Acquired through business combinations | - | - |
| Amortisation for the period | (133) | (240) |
| Other changes | - | - |
| Derecognition | | |
| • Gross Book Value | - | - |
| • Accumulated amortisation | - | - |
| Net carrying amount at end of year | 289 | 386 |
| Comprising: | | |
| • Gross carrying amounts | 1,642 | 1,606 |
| • Accumulated amortisation | (1,353) | (1,220) |
| Balance at end of year: | 289 | 386 |



Notes to the Accounts (cont'd)

18. ASSETS HELD FOR SALE

| | Current Assets 2019/20 £000 | Current Assets 2018/19 £000 |
|---|-----------------------------------|-----------------------------------|
| Balance outstanding at start of year | 1,034 | 1,037 |
| Assets newly classified as held for sale: | | |
| • Property, Plant and Equipment | - | 1,033 |
| • Other assets/liabilities in disposal groups | - | - |
| Additions | 3 | 36 |
| Revaluation losses | - | - |
| Revaluation gains | - | - |
| Impairment Gains | 31 | - |
| Impairment losses | - | - |
| Assets declassified as held for sale: | - | - |
| • Property, Plant and Equipment | - | - |
| • Other assets/liabilities in disposal groups | - | - |
| Assets sold | (31) | (1,072) |
| Derecognition | (51) | - |
| Transfers from non-current to current | - | - |
| Balance outstanding at year-end: | 986 | 1,034 |

**Notes to the Accounts (cont'd)****19. FINANCIAL INSTRUMENTS**

Categories of Financial Instruments

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

| | Long-term | | Current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2020 £000 | 31 March 2019 £000 | 31 March 2020 £000 | 31 March 2019 £000 |
| Investments | | | | |
| Loans and receivables | 262 | 271 | 73,560 | 66,901 |
| Total investments | 262 | 271 | 73,560 | 66,901 |
| Borrowings | | | | |
| Financial liabilities at amortised cost (including Bank overdraft and long term creditors) | (114,319) | (87,881) | (3,751) | (4,944) |
| Total Borrowings | (114,319) | (87,881) | (3,751) | (4,944) |
| Other Long Term Liabilities | | | | |
| PFI and finance lease liabilities | (80,960) | (85,748) | (4,787) | (4,732) |
| Total other long term liabilities | (80,960) | (85,748) | (4,787) | (4,732) |

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

| | 2019/20 Surplus or Deficit on the Provision of Services £000 | 2018/19 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 | 3,814 | 3,738 |
| Fee income: | | |
| • Financial assets or financial liabilities that are not at fair value through profit or loss | - | - |
| Fee expense: | | |
| • Financial assets or financial liabilities that are not at fair value through profit or loss | 206 | 182 |
| Total net(gain) / losses | 4,020 | 3,920 |



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 £73,822k financial assets and £118,070k 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 2020 | | 31 March 2019 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 118,070 | 143,696 | 92,825 | 127,097 |

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 2020) 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 2020 | | 31 March 2019 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 118,070 | 224,129 | 92,825 | 153,440 |

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 £99.57m, the fair value using New Borrowing Rates would be £118.95m. 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 £188.14m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £99.57m. 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 2020 | | 31 March 2019 | |
|-------------------------|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Deposits: short-term | 39,311 | 39,393 | 32,904 | 32,965 |
| Investments: short-term | 34,249 | 34,322 | 33,997 | 34,033 |
| Investments: long-term | 262 | 262 | 271 | 271 |
| | 73,822 | 73,977 | 67,172 | 67,269 |

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)****20. DEBTORS**

| | 31 March 2020 £000 | 31 March 2019 £000 |
|----------------------------------|-----------------------|-----------------------|
| Trade receivables | 2,276 | 2,577 |
| Receivables from related parties | 7,811 | 6,439 |
| Prepayments | 112 | 1,034 |
| Other accounts | 4,966 | 5,741 |
| Total | 15,165 | 15,791 |

21. 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 2020 £000 | 31 March 2019 £000 |
|----------------------------|-----------------------|-----------------------|
| Less than one year | 2,366 | 2,236 |
| Between one to two years | 1,485 | 1,403 |
| Between two and five years | 3,063 | 2,887 |
| More than five years | 6,829 | 6,475 |
| Total | 13,743 | 13,001 |

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

22. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

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

| | 31 March 2020 £000 | 31 March 2019 £000 |
|----------------------------|-----------------------|-----------------------|
| Cash held by the Authority | 18 | 17 |
| Bank current accounts | (3,190) | (2,781) |
| Short-term deposits | 39,311 | 32,904 |
| Total | 36,139 | 30,140 |

**Notes to the Accounts (cont'd)****23. CREDITORS**

| | 31 March 2020 | | 31 March 2019 | |
|-----------------------------|--------------------|-------------|--------------------|-------------|
| | Short-term £000 | Long-term | Short-term £000 | Long-term |
| Trade payables | (4,772) | - | (8,163) | - |
| Payables to related parties | (9,953) | - | (9,749) | - |
| Other accounts | (28,496) | (93) | (30,604) | (93) |
| TOTAL | (43,221) | (93) | (48,516) | (93) |

24. PROVISIONS

| | Teachers Maternity Pay £000 | Short- term provisions £000 | SRC Operations £000 | Insurance Excess £000 | Long-term provisions £000 |
|---------------------------------------|--------------------------------------|--------------------------------------|---------------------------|-----------------------------|---------------------------------|
| Balance at 31 March 2019 | (152) | (152) | (7) | (144) | (151) |
| Additional provisions made in 2019/20 | (221) | (221) | (32) | - | (32) |
| Amounts used in 2019/20 | 164 | 164 | 15 | 11 | 26 |
| Unused amounts reversed in 2019/20 | - | - | - | - | - |
| Balance at 31 March 2020 | (209) | (209) | (24) | (133) | (157) |

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 £157k. These are made up firstly of £24k, 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 £133k to cover insurance excess for outstanding claims made against the Council.

**Notes to the Accounts (cont'd)****25. BALANCE SHEET – UNUSABLE RESERVES**

| | 31 March 2020 | 31 March 2019 |
|---|------------------|------------------|
| | £000 | £000 |
| Revaluation Reserve | (167,123) | (155,245) |
| Capital Adjustment Account | (359,570) | (344,536) |
| Financial Instruments Adjustment Account | 1,227 | 1,345 |
| Pensions Reserve | 91,435 | 134,841 |
| Statutory Accumulating Compensated Absences Account | 6,357 | 5,902 |
| Total Unusable Reserves | (427,674) | (357,693) |

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 2020 | 31 March 2019 |
|---|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | (155,245) | (148,561) |
| 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 | (16,472) | (11,718) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 80 | 125 |
| Amount written off to the Capital Adjustment Account: | | |
| Difference between fair value depreciation and historical cost depreciation | 4,514 | 4,204 |
| Accumulated gains on assets sold or scrapped | - | 705 |
| Balance at 31 March | (167,123) | (155,245) |



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

| | 2019/20 | 2018/19 |
|---|--|--|
| | £000 | £000 |
| Balance at 1 April | (344,536) | (324,636) |
| 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 | 25,867 - (1,042) 133 - - | 29,293 - (1,229) 240 - 1,120 |
| | (319,578) | (295,212) |
| Adjusting amounts written out of the Revaluation Reserve | (4,514) | (4,909) |
| Net written out amount of the cost of non-current assets consumed in the year | (324,092) | (300,121) |
| 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 | (220) (18,300) (4,733) (9,836) (2,389) | (2,107) (18,402) (4,308) (9,722) (9,876) |
| Balance at 31 March | (359,570) | (344,536) |

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund



Notes to the Accounts (cont'd)

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 2020 will be charged to the General Fund over the next 4 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

| | 2019/20 | 2018/19 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 1,345 | 1,462 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements | (108) | (108) |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (10) | (9) |
| Balance at 31 March | 1,227 | 1,345 |

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.

| | 2019/20 | 2018/19 |
|--|----------------|----------------|
| | £000 | £000 |
| Balance at 1 April | 134,841 | 82,454 |
| Actuarial (gains) or losses on pension assets and liabilities | (59,748) | 33,596 |
| 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 | 28,302 | 29,612 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (11,960) | (10,821) |
| Balance at 31 March | 91,435 | 134,841 |

**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.

| | 2019/20 £000 | 2018/19 £000 |
|---|-------------------------|-------------------------|
| Balance at 1 April | 5,902 | 5,504 |
| Settlement or cancellation of accrual made at the end of the preceding year | (5,902) | (5,504) |
| Amounts accrued at the end of the current year | 6,357 | 5,902 |
| Balance at 31 March | 6,357 | 5,902 |

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| | 2019/20 £000 | 2018/19 £000 |
|--|-------------------------|-------------------------|
| Interest received | (62) | (518) |
| Interest paid | 4,249 | 4,627 |
| Interest element of finance lease rental and PPP/PFI payment | 6,185 | 6,502 |

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

| | 2019/20 £000 | 2018/19 £000 |
|---|-------------------------|-------------------------|
| Depreciation and impairment | (25,867) | (29,293) |
| Amortisation of intangible assets | (133) | (240) |
| (Increase)/decrease in creditors | 7,455 | (7,247) |
| Increase/(decrease) in debtors | 2,740 | (795) |
| Increase/(decrease) in inventories | 41 | 11 |
| Movement in pension liability | (16,342) | (18,791) |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 220 | 987 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 18,418 | 18,519 |
| | (13,468) | (36,849) |

**Notes to the Accounts (cont'd)****27. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

| | 2019/20 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Purchase of property, plant and equipment and intangible assets | 45,600 | 41,354 |
| Purchase of short-term and long-term investments | 110,439 | 68,765 |
| Proceeds from the sale of property, plant and equipment and intangible assets | (220) | (2,107) |
| Proceeds from short-term and long-term investments | (110,439) | (68,765) |
| Other receipts from investing activities | (23,702) | (15,518) |
| Net cash flows from investing activities | 21,678 | 23,729 |

28. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| | 2019/20 £000 | 2018/19 £000 |
|--|------------------|------------------|
| Financing activities as at 1 April | (146,164) | (153,116) |
| Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract | 4,733 | 4,308 |
| Repayments of short and long-term borrowing | (24,593) | 2,644 |
| Other payments for financing activities | - | - |
| Financing activities as at 31 March | (166,024) | (146,164) |

29. AGENCY SERVICES

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

During 2019/20 the Council collected and paid over £17.8m (2018/19 £17.1m) and received £0.259m (2018/19 £0.259m) for providing the service.

30. EXTERNAL AUDIT COSTS

| | 2019/20 £000 | 2018/19 £000 |
|--|-----------------|-----------------|
| Agreed Audit Scotland audit fee for the year | 232 | 227 |
| Other Audit Services provided | | - |

**Notes to the Accounts (cont'd)****31. GRANT INCOME**

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

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | 168,731 | 162,932 |
| Non Domestic Rates | 15,377 | 14,318 |
| Capital Grants and Contributions | 18,300 | 18,402 |
| Total | 202,408 | 195,652 |

Credited to Services

| | | |
|---------------------------------------|----------------|----------------|
| Housing Benefit Subsidy | 13,302 | 14,790 |
| Housing Benefit Administration Grant | 159 | 175 |
| Pupil Equity Fund | 1,344 | 1,428 |
| Unitary Charge – Barrhead High School | 1,832 | 1,832 |
| Education 1140 expansion | 1,985 | 421 |
| Criminal Justice Grant | 609 | 563 |
| Private Sector Housing Grant | 252 | 257 |
| Education Maintenance Allowance | 418 | 405 |
| Strathclyde Passenger Transport | 376 | 297 |
| Miscellaneous Revenue Grants | 1,663 | 2,436 |
| Total | 224,348 | 218,256 |

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 2020
£000

Capital Grants Receipts in Advance

| | |
|--|--------------|
| Developer's Contributions/ Commuted Sums | 3,821 |
| Environmental Improvement Grant | 1,106 |
| Town Centre Grant | 848 |
| Energy Grant | 239 |
| Miscellaneous | 54 |
| | 6,068 |

32. 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 31.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown on page 39. 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 38.

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 2019/20 | | As at 31 March 2020 | |
|---|--------------------------|----------------------------|----------------------------|----------------------|
| | Charges to £m | Charges from £m | Due from £m | Due to £m |
| East Renfrewshire Culture & Leisure Trust | (0.483) | 6.108 | (0.169) | 0.364 |
| East Renfrewshire Integration Joint Board | (49.565) | 49.565 | (0.061) | 4.579 |

33. 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)**

| 2019/20 | Housing £000 | General Fund £000 | Total £000 |
|--|-------------------------|------------------------------|-----------------------|
| <i>Opening Capital Financing Requirement as at 31 March 2019</i> | 28,683 | 160,095 | 188,778 |
| <i>Capital investment</i> | | | |
| Property, Plant and Equipment | 9,485 | 38,320 | 47,805 |
| Intangible Assets | - | 36 | 36 |
| Revenue Expenditure Funded from Capital under Statute | | | |
| <i>Sources of finance</i> | | | |
| Capital Reserve | - | (1,200) | (1,200) |
| Capital receipts | (4) | (216) | (220) |
| Government grants and other contributions | (1,425) | (16,875) | (18,300) |
| <i>Sums set aside from revenue</i> | | | |
| Direct revenue contributions | - | (1,189) | (1,189) |
| Finance lease Principal Repayments (including PFI/PPP Projects) | - | (5,775) | (5,775) |
| Loans Fund Principal | (2,567) | (7,269) | (9,836) |
| Closing Capital Financing Requirement as at 31 March 2020 | 34,172 | 165,927 | 200,099 |
| Explanation of Movements in Year | | | |
| Increase in underlying need to borrow | 5,489 | 5,832 | 11,321 |
| Assets acquired under lease and lease type arrangements | | | |
| Increase/(decrease) in Capital Financing Requirement | 5,489 | 5,832 | 11,321 |
| | | | |
| 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) |

**Notes to the Accounts (cont'd)****34. 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 2020 | 31 March 2019 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Not later than one year | 453 | 386 |
| Later than one year and not later than five years | 1,335 | 1,225 |
| Later than five years | 1,874 | 1,870 |
| | 3,662 | 3,481 |

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 2020 | 31 March 2019 |
|------------------------|----------------------|----------------------|
| | £000 | £000 |
| Minimum Lease payments | 454 | 391 |
| Contingent Rents | - | - |
| | 454 | 391 |

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 2020 | 31 March 2019 |
|---|---------------|---------------|
| | £000 | £000 |
| Not later than one year | 169 | 286 |
| Later than one year and not later than five years | 447 | 363 |
| Later than five years | 16,605 | 16,454 |
| | 17,221 | 17,103 |

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 2019/20 £6,189 contingent rents were receivable by the Authority (2018/19 contingent rents of £9,623 were received by the Authority).

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

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

The services are the provision of a new Mearns Primary School and an extension to St Ninian's High School. The contract is for a period of 25 years commencing August 2001 and the assets will revert to the Council at the end of the contract period. These assets are recognised on the 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 15.

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2019 | 22,899 |
| Additions/Revaluations | 164 |
| Depreciation in Year | (607) |
| NET BOOK VALUE AT 31 MARCH 2020 | 22,456 |

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

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

The total value of payments over the remainder of the contract before inflation will be £13.83m and the total value of income from the Scottish Government will be £7.95m resulting in a net outstanding undischarged obligation before inflation of £5.88m.

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 | 948 | 715 | 586 | 1,288 | 3,537 |
| Within 2 to 5 years | 4,327 | 2,994 | 1,391 | 6,357 | 15,069 |
| Within 6 to 10 years | 1,292 | 829 | 90 | 1,800 | 4,011 |
| ESTIMATED TOTAL | 6,567 | 4,538 | 2,067 | 9,445 | 22,617 |

(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 15.

| Movement in Value of ERC Assets | £000 |
|--|---------------|
| Valuation at 1 April 2019 | 28,301 |
| Additions/Revaluations | 300 |
| Depreciation in Year | (588) |
| NET BOOK VALUE AT 31 MARCH 2020 | 28,013 |

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 £1.5m

| | Estimated Cash Value of Payments Due to be Made | | | | Total £000 |
|------------------------|---|--------------------|---------------|--------------------|---------------|
| | Liability | Contingent Rent | Interest | Service Charges | |
| | £000 | £000 | £000 | £000 | |
| Within 1 year | 1,008 | 357 | 1,291 | 879 | 3,535 |
| Within 2 to 5 years | 4,561 | 1,671 | 4,532 | 3,732 | 14,496 |
| Within 6 to 10 years | 7,075 | 2,675 | 4,104 | 5,097 | 18,951 |
| Within 11 to 15 years | 9,953 | 3,488 | 1,643 | 4,833 | 19,917 |
| Within 16 to 20 years | 205 | 72 | 6 | 48 | 331 |
| ESTIMATED TOTAL | 22,802 | 8,263 | 11,576 | 14,589 | 57,230 |

(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 15.

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2019 | 60,576 |
| Additions/Revaluations | 576 |
| Depreciation in Year | (1,609) |
| NET BOOK VALUE AT 31 MARCH 2020 | 59,543 |

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 £77.18m and the total value of income from the Scottish Government will be £39.46m leaving a net outstanding undischarged obligation of £37.72m.

**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 | 2,219 | 1,673 | 2,584 | 3,066 | 9,542 |
| Within 2 to 5 years | 9,650 | 7,643 | 8,672 | 14,151 | 40,116 |
| Within 6 to 10 years | 16,938 | 12,777 | 6,230 | 18,882 | 54,827 |
| Within 11 to 15 years | 6,728 | 4,733 | 502 | 5,602 | 17,565 |
| ESTIMATED TOTAL | 35,535 | 26,826 | 17,988 | 41,701 | 122,050 |

(IV) Barrhead High School - Scotland's Schools for the Future NPD Project

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

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

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2019 | 23,703 |
| Additions/Revaluations | 14 |
| Depreciation in Year | (624) |
| NET BOOK VALUE AT 31 MARCH 2020 | 23,093 |

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 £47.052m and the total value of income from the Scottish Government will be £41.497m leaving a net outstanding undischarged obligation of £5.555m

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 | 611 | 26 | 1,374 | 169 | 2,180 |
| Within 2 to 5 years | 2,368 | 104 | 5,090 | 1,287 | 8,849 |
| Within 6 to 10 years | 3,155 | 60 | 5,482 | 2,674 | 11,371 |
| Within 11 to 15 years | 4,339 | 103 | 4,289 | 3,028 | 11,759 |
| Within 16 to 20 years | 6,431 | 381 | 2,556 | 2,829 | 12,197 |
| Within 20 to 25 years | 3,939 | 290 | 382 | 1,298 | 5,909 |
| ESTIMATED TOTAL | 20,843 | 964 | 19,173 | 11,285 | 52,265 |

36. IMPAIRMENT LOSSES**Impairment of Assets**

Impairment losses/(reversals) of £2.059m 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 | 2,537 | (478) | 2,059 |

37. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2019/20 incurring liabilities of £2.07m (£2.02m in 2018/19). This was in respect of 95 officers (44 officers in 2018/19) from across the Council. The Remuneration Report at page 44 provides further details on exit packages.

38. 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. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contribution.

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 employer contribution rate for the period 1 April 2019 is 17.2% increasing from 1 September to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. In addition £0.34m was paid (2018/19 £0.33m) in respect of added years.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme) / Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2019, by East Renfrewshire Council was £8.253m, equating to approximately 1.88% of the total contributions made to the scheme.

39. 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).



Notes to the Accounts (cont'd)

- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Governance

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

McCloud

When the LGPS Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. The benefits accrued from 1 April 2015 by these members are subject to an 'underpin' which means that they cannot be lower than what they would have received under the previous benefit structure. The underpin ensures that these members do not lose out from the introduction of the new scheme.

In December 2018 the Court of Appeal upheld a ruling ("McCloud/Sargeant") that similar transitional protections in the Judges' and Firefighters' Pension Schemes were unlawful on the grounds of age discrimination. The implications of the ruling are expected to apply to the LGPS (and other public service schemes) as well. The UK Government requested leave to appeal to the Supreme Court but this was denied at the end of June 2019. Therefore, LGPS Scotland benefits accrued from 2015 may need to be enhanced so that all eligible members, regardless of age, will benefit from the underpin. Alternatively, restitution may be achieved in a different way, for example by paying compensation. In either case, the clear expectation is that many more members would see an enhanced benefit rather than just those currently subject to these protections.

Quantifying the impact of judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member



Notes to the Accounts (cont'd)

depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £6,677,000 for East Renfrewshire Council, no further adjustments have been made in the current year.

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:

| Included in net cost of services within Comprehensive Income and Expenditure Statement | Local Government Pension Scheme | |
|---|---|---------------------------------|
| | 2019/20 £000 | 2018/19 £000 |
| <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> | 25,649 538 - (1,276) | 21,363 7,077 - (1,273) |
| <ul style="list-style-type: none"> Net interest cost | 3,391 | 2,445 |
| <i>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i> | 28,302 | 29,612 |
| 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 | 35,736 (69,734) (22,477) (3,273) | (16,351) - 49,360 587 |

**Notes to the Accounts (cont'd)****Movement in Reserves Statement**

| | | |
|---|----------|----------|
| • Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme | 11,960 | 10,821 |
| • Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services | (28,302) | (29,612) |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (16,342) | (18,791) |

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 | |
|--|--|-------------------------|
| | 2019/20 £000 | 2018/19 £000 |
| Present value of the defined benefit obligation | (606,152) | (669,782) |
| Fair value of plan assets | 514,717 | 534,941 |
| Net liability arising from defined benefit obligation | (91,435) | (134,841) |

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

| | Local Government Pension Scheme | |
|---|--|-------------------------|
| | 2019/20 £000 | 2018/19 £000 |
| Opening fair value of scheme assets | 534,941 | 503,553 |
| Effect of Settlement | | - |
| Interest income | 12,870 | 13,615 |
| Remeasurement gain/(loss) | | |
| • The return on plan assets, excluding the amount included in the net interest expenses | (35,736) | 16,351 |
| • Other | | - |
| The effect of changes in foreign exchange rates | | - |
| Contributions from employer | 11,960 | 10,821 |
| Contributions from employees into the scheme | 3,571 | 3,290 |
| Benefits paid | (12,889) | (12,689) |
| Closing fair value of scheme assets | 514,717 | 534,941 |

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

| | 2019/20 £000 | 2018/19 £000 |
|--|-------------------------|-------------------------|
| Opening balance at 1 April | (669,782) | (586,007) |
| Effect of Settlement | - | - |
| Current service cost | (25,649) | (21,363) |
| Interest cost | (16,261) | (16,060) |
| Contributions from scheme participants | (3,571) | (3,290) |
| Remeasurement gains and (losses) | | |
| • Actuarial (gains) and losses on changes in demographic assumptions | 22,477 | - |
| • Actuarial (gains) and losses arising on changes in financial assumptions | 69,734 | (49,360) |
| • Other | 3,273 | (587) |
| Past service cost | (538) | (7,077) |
| Benefits paid | 14,165 | 13,962 |
| Closing balance at 31 March | (606,152) | (669,782) |

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

Local Government Pension Scheme assets comprised:

| Asset Category | 31-Mar-20 | | | | 31-Mar-19 | | | |
|--|---------------------------------|-------------------------------------|----------------|------------|---------------------------------|-------------------------------------|----------------|------------|
| | 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 | 32,962 | 93 | 33,055 | 6 | 34,257 | 97 | 34,354 | 6 |
| Manufacturing | 26,707 | 81 | 26,787 | 5 | 27,756 | 84 | 27,840 | 5 |
| Energy and Utilities | 6,881 | - | 6,881 | 1 | 7,151 | - | 7,151 | 1 |
| Financial Institutions | 22,189 | - | 22,189 | 4 | 23,061 | - | 23,061 | 4 |
| Health and Care | 13,032 | 133 | 13,165 | 3 | 13,544 | 139 | 13,683 | 3 |
| Information Technology | 16,963 | 4 | 16,967 | 3 | 17,630 | 4 | 17,634 | 3 |
| Other | - | - | - | - | - | - | - | - |
| Debt Securities | | | | | | | | |
| Corporate Bonds (investment grade) | 16,150 | - | 16,150 | 3 | 16,784 | - | 16,784 | 3 |
| Corporate Bonds (non-investment grade) | - | - | - | - | - | - | - | - |
| UK Government | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Private Equity: | | | | | | | | |
| All | - | 61,506 | 61,506 | 12 | - | 63,923 | 63,923 | 12 |
| Real Estate: | | | | | | | | |
| UK Property | - | 46,603 | 46,603 | 9 | - | 48,434 | 48,434 | 9 |
| Overseas Property | - | - | - | - | - | - | - | - |
| Investment funds and unit trusts: | | | | | | | | |
| Equities | 146,186 | 12,671 | 158,857 | 31 | 151,930 | 13,169 | 165,099 | 31 |
| Bonds | 22,509 | 37,083 | 59,593 | 12 | 23,394 | 38,540 | 61,934 | 12 |
| Hedge Funds | - | - | - | - | - | - | - | - |
| Commodities | 258 | - | 258 | - | 268 | - | 268 | - |
| Infrastructure | - | - | - | - | - | - | - | - |
| Other | - | 660 | 660 | - | - | 686 | 686 | - |
| Derivative: | | | | | | | | |
| Inflation | - | - | - | - | - | - | - | - |
| Interest rate | - | - | - | - | - | - | - | - |
| Foreign exchange | - | - | - | - | - | - | - | - |
| Other | 11 | - | 11 | - | 11 | - | 11 | - |
| Cash and cash equivalents | | | | | | | | |
| All | 26,497 | 25,536 | 52,034 | 10 | 27,538 | 26,540 | 54,078 | 10 |
| Totals | 330,345 | 184,372 | 514,717 | 100 | 343,325 | 191,616 | 534,941 | 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 | |
|---|--|----------------|
| | 2019/20 | 2018/19 |
| Investment returns | (4.3%) | 5.9% |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| • Men | 20.7 years | 21.4 years |
| • Women | 22.9 years | 23.7 years |
| Longevity at 65 for future pensioners: | | |
| • Men | 22.2 years | 23.4 years |
| • Women | 25.8 years | 25.8 years |
| Rate of increase in salaries | 3.0% | 3.7% |
| Rate of increase in pensions | 1.9% | 2.5% |
| Rate for discounting scheme liabilities | 2.3% | 2.4% |

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 2020: | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|--|---|---|
| 0.5% decrease in Real Discount Rate | 10 | 60,560 |
| 0.5% increase in the Salary Increase Rate | 2 | 10,316 |
| 0.5% increase in the Pension Increase Rate | 8 | 49,314 |

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 2021 is £11.149 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.5 years (19.5 years 2018/19).

40. CONTINGENT LIABILITIES

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. In addition, the potential impact of the guaranteed minimum pension equalisation / indexation has been identified as a potential liability, 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 any shortfall in Government Funding to cover the additional pressures faced by the Council in connection to Covid-19.

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.

41. 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 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



Notes to the Accounts (cont'd)

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 28 February 2019 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2019/20 was set at £250.498m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £229.626m. 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 credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Ratings



Notes to the Accounts (cont'd)

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:-

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

The Authority's maximum exposure to credit risk in relation to its investments in banks, £12.5m, 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 2020 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 £2,099 (2018/19 £2,977) during the year, the authority did not write off any financial assets.

Credit Risk Exposure

The authority has the following exposure to risk at 31 March 2020.

| £000s | Credit Risk rating | Gross Carrying Amount (£) | Exposure to Credit Risk (£) |
|--|--------------------------------------|---------------------------|-----------------------------|
| 12-month expected credit losses | AAA | 15,750,000 | 17 |
| | AA- | 42,000,000 | 0 |
| | A+ | 11,500,000 | 1,416 |
| | A | 4,250,000 | 666 |
| Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates) | Less than 3 months and past due date | 540,000 | - |
| | Three to six months | 108,000 | - |
| | Six months to one year | 158,000 | - |
| | More than one year | 970,000 | - |



Notes to the Accounts (cont'd)

The Council does not generally allow credit for customers, such that as at 31 March 2020 £1.776m of the £2.276m (£1.731m of £2.577m as at 31 March 2019) 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.

The maturity analysis of financial liabilities is as follows:

| | 31 March 2020 | 31 March 2019 |
|-----------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Less than one year | 561 | 2,163 |
| Between one and two years | 383 | 562 |
| Between two and five years | 1,205 | 1,211 |
| More than five years | 112,638 | 86,015 |
| | <u>114,787</u> | <u>89,951</u> |

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).

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

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.

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 | 176 |
| Increase in interest receivable on variable rate investments | 25 |
| Increase in government grant receivable for financing costs | (310) |
| Impact on Surplus or Deficit on the Provision of Services | (109) |
| Share of overall impact debited to the HRA | (32) |
| 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) | 21,675 |

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.

42. 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 2015/16 to 2019/20.



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 | 2019/20 £000 | 2018/19 £000 |
|---|--------------|-----------------|-----------------|
| Income | | | |
| Dwelling Rents | | (11,423) | (10,832) |
| Non-dwelling Rents | | (199) | (185) |
| Other Income | | (940) | (841) |
| Total Income | | (12,562) | (11,858) |
| Expenditure | | | |
| Repairs and Maintenance | | 5,009 | 4,490 |
| Supervision and Management | | 3,531 | 3,174 |
| Depreciation and Impairment on Non-Current Assets | | 9,290 | 8,232 |
| Movements in the Impairment of Debtors | 4 | 204 | 179 |
| Other expenditure | | 251 | 203 |
| Total Expenditure | | 18,285 | 16,278 |
| Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 5,723 | 4,420 |
| HRA Services' Share of Corporate and Democratic Core | | 38 | 10 |
| Net Cost for HRA Services | | 5,761 | 4,430 |
| HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | | |
| • (Gain) or Loss on Sale of HRA Non-Current Assets | | (4) | 207 |
| • Interest Payable and Similar Charges | | 1,162 | 1,090 |
| • Interest and Investment Income | | (17) | (36) |
| • Pension Interest Cost and Expected Return on Pension Assets | | 162 | 119 |
| • Rental Income – operating lease over Property, Plant and Equipment | | (188) | (197) |
| • Capital Grants and Contributions Receivable | | (1,425) | (3,019) |
| (Surplus) or Deficit for the Year on HRA Services | | 5,451 | 2,594 |



Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

| | HRA Notes | 2019/20 £000 | 2018/19 £000 |
|---|--------------|-----------------|-----------------|
| (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement | | 5,451 | 2,594 |
| Adjustments between Accounting Basis and Funding Basis Under Statute | 1 | (6,049) | (2,683) |
| Net (Increase) or Decrease Before Transfers to or from Reserves | | - | (89) |
| (Increase) or Decrease in Year on the HRA | | (598) | (89) |
| Balance on the HRA at the end of the Previous Year | | (1,718) | (1,629) |
| Balance on the HRA at the end of the Current Year | | (2,316) | (1,718) |

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

| | 2019/20 £000 | 2018/19 £000 |
|---|-----------------|-----------------|
| Gain or loss on sale of HRA non-current assets | 4 | (207) |
| Capital expenditure funded by the HRA | - | 300 |
| Transfer to/from the Capital Adjustment Account: | | |
| • Depreciation | (9,290) | (8,232) |
| • Capital Grants and Contributions | 1,425 | 3,019 |
| • Repayment of Debt | 2,567 | 3,009 |
| HRA share of contributions to or from the Pensions Reserve | (753) | (569) |
| Transfer to/from the Statutory Compensated Absences Account | (2) | (3) |
| | (6,049) | (2,683) |

2. Housing Stock

Council's housing stock at 31 March 2020 was 2,990 (2,954 at March 2019) in the following categories:

| | 2019/20 Number | 2018/19 Number |
|--------------|-------------------|-------------------|
| 1 Apartment | 172 | 159 |
| 2 Apartment | 938 | 937 |
| 3 Apartment | 1,270 | 1,267 |
| 4 Apartment | 529 | 509 |
| 5 Apartment | 77 | 78 |
| 6 Apartment | 4 | 4 |
| Total | 2,990 | 2,954 |



Notes to the Housing Revenue Accounts (cont'd)

3. Rent Arrears

At the year-end rent arrears amounted to £1,116,203 (2018/19: £876,108) of which the current rent arrears were £657,517 (2018/19: £522,881) representing 4.4% (2018/19: 3.7%) of gross rent due and former tenant arrears amounted to £458,686 (2018/19: £353,227). In addition, the figure contains £19,465 (2018/19: £16,751) in respect of outstanding Housing Benefit Overpayments.

4. Impairment of Debtors

In the financial year 2019/20, the bad debt provision for the Housing Revenue Account was increased by £204,365, resulting in a bad debt provision balance of £1,049,303 (2018/19: £844,938).

5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £392,548 (2018/19: £327,244).



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”.

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Gross rates levied and the contributions in lieu | 20,280 | 20,647 |
| Less: | | |
| • Reliefs and other deductions | (6,050) | (6,058) |
| • Payments of interest | - | - |
| • Write-offs of uncollectable debts and allowance for impairment | (261) | (170) |
| Net Non Domestic Rate Income collected | 13,969 | 14,419 |
| Collection adjustment to meet Provisional Contribution Amount | 1,208 | 1,118 |
| Contribution to Non Domestic Rate pool | 15,177 | 15,537 |
| Distribution from Non Domestic Rate pool | 15,377 | 14,318 |
| Adjustments for years prior to the pool | - | - |
| Non-Domestic Rate income retained by Authority (BRIS) | - | - |
| Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14) | 15,377 | 14,318 |

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 2019/20 was £0.49 (2018/19 £0.48)

| | Number | Rateable Value as at 1 April 2019 £ |
|----------------------------------|---------------|--|
| Shops | 597 | 15,909,975 |
| Offices | 360 | 3,544,020 |
| Hotels, Boarding Houses etc. | 13 | 644,900 |
| Industrial and Freight Transport | 156 | 1,435,670 |
| Subject Miscellaneous | 426 | 17,881,021 |
| Subjects Other | 272 | 3,620,120 |
| Total | 1,824 | 43,035,706 |



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.

| | 2019/20 | 2018/19 |
|---|----------------|----------------|
| | £000 | £000 |
| Gross Council Tax levied and contributions in lieu | 62,913 | 60,545 |
| Adjustments for prior years Council Tax | (91) | (144) |
| Adjusted for: | | |
| • Council Tax Reduction Scheme | (3,567) | (3,601) |
| • Council Tax Benefits (Net of Government Grants) | 12 | 13 |
| • Other discounts and reductions | (6,330) | (6,012) |
| • Uncollectable debt and allowance for impairment | (767) | (687) |
| Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14) | 52,170 | 50,114 |

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 2019/20 was £1,230.41(2018/19: £1,194.57).

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 2019/20***

| | No. of Dwellings | No. of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|--------|------------------|-------------------|-----------------|---------------|---------------|-----------------|-----------------------------------|--------------------|
| BAND A | 1,341 | (125) | 18 | (191) | (18) | 1,025 | 240/360 | 683 |
| BAND B | 5,233 | (242) | 6 | (607) | (19) | 4,371 | 280/360 | 3,400 |
| BAND C | 4,012 | (136) | 46 | (404) | (20) | 3,498 | 320/360 | 3,109 |
| BAND D | 6,603 | (137) | (14) | (626) | (17) | 5,809 | 360/360 | 5,809 |
| BAND E | 8,250 | (125) | (12) | (539) | (17) | 7,557 | 473/360 | 9,929 |
| BAND F | 6,207 | (45) | (39) | (299) | (11) | 5,813 | 585/360 | 9,446 |
| BAND G | 6,511 | (67) | (5) | (271) | (13) | 6,155 | 705/360 | 12,053 |
| BAND H | 745 | (3) | - | (14) | (4) | 724 | 882/360 | 1,774 |
| | | | | | | | TOTAL | 46,203 |
| | | | | | | | Provision for non-collection (2%) | (924) |
| | | | | | | | Council Tax Base | 45,279 |

*Source: A Questionnaire requested by the Scottish Government entitled Council Tax Base 2018

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 2019/20 was £1,230.41.

| | | | |
|--------|-----------|--------|-----------|
| BAND A | £820.27 | BAND E | £1,616.63 |
| BAND B | £956.98 | BAND F | £1,999.42 |
| BAND C | £1,093.70 | BAND G | £2,409.55 |
| BAND D | £1,230.41 | BAND H | £3,014.50 |



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 2020

| | 2019/20 Unusable Reserve £000 | 2018/19 Unusable Reserve £000 |
|--|--|--|
| Balance at 1 April | (1,953) | (1,652) |
| Deficit / (surplus) on the provision of services | 76 | (147) |
| Other comprehensive income and expenditure | - | (154) |
| Balance at 31 March | (1,877) | (1,953) |

Comprehensive Income and Expenditure Statement for the year ending 31 March 2020

| | Expenditure £000 | 2019/20 Income £000 | Net £000 | Expenditure £000 | 2018/19 Income £000 | Net £000 |
|--|---------------------|---------------------------|-------------|---------------------|---------------------------|--------------|
| Net costs of services | 76 | - | 76 | 70 | (217) | (147) |
| (Surplus) or deficit | | | | | | |
| (Surplus) / deficit on revaluation of fixed assets | | | - | | | (154) |
| Total Comprehensive Income and Expenditure | | | 76 | | | (301) |

Balance Sheet

| | 2019/20 £000 | 2018/19 £000 |
|-------------------------------|-----------------|-----------------|
| Property, Plant and Equipment | 1,877 | 1,953 |
| Net Assets | 1,877 | 1,953 |
| Unusable Reserve: | | |
| Revaluation Reserve | (673) | (693) |
| Capital Adjustment Account | (1,204) | (1,260) |
| Net Reserves | (1,877) | (1,953) |

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

| | Land and Buildings 2019/20 £000 | Land and Buildings 2018/19 £000 |
|--|--|--|
| Cost or Valuation at 1 April | 1,976 | 1,718 |
| Additions | - | - |
| Donations | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | - | 154 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | - | 217 |
| Derecognition – disposals | - | - |
| Derecognition – other | - | - |
| Assets reclassified (to)/from Held for Sale | - | - |
| Other movements in cost or valuation | (4) | (113) |
| As at 31 March | 1,972 | 1,976 |
| Accumulated Depreciation and Impairment at 1 April | (23) | (66) |
| Depreciation charge | (76) | (70) |
| Depreciation written out on revaluation and disposal | 4 | 113 |
| Derecognition – other (transfers) | - | - |
| As at 31 March | (95) | (23) |
| Net Book Value at 31 March 2020 | 1,877 | |
| Net Book Value at 31 March 2019 | 1,953 | 1,953 |
| Net Book Value at 31 March 2018 | | 1,652 |



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 Movement in Reserves Statement.

Year ended 31 March 2019

Year ended 31 March 2020

| Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
|----------------------------|-----------------------|--------------------------|---|----------------------------|-----------------------|--------------------------|
| 134,192 | (11,028) | 123,164 | Education | 143,100 | (13,062) | 130,038 |
| 113,901 | (65,951) | 47,950 | HSCP – Provision of Services | 117,979 | (67,380) | 50,599 |
| 40,634 | (8,447) | 32,187 | Environment | 37,550 | (11,460) | 26,090 |
| 22,218 | (15,839) | 6,379 | Corporate & Community – Community Resources | 20,906 | (14,530) | 6,376 |
| 373 | (115) | 258 | Chief Executive's Office | 419 | (164) | 255 |
| 14,006 | (4,165) | 9,841 | Other Expenditure | 8,538 | (3,557) | 4,981 |
| 3,488 | (235) | 3,253 | Support Services – Chief Executive's Office | 3,470 | (205) | 3,265 |
| 11,526 | (674) | 10,852 | Support Services – Corp & Comm. | 14,822 | (2,131) | 12,691 |
| 2,595 | (435) | 2,160 | Support Services – Environment | 3,220 | (827) | 2,393 |
| | | | Share of operating results of subsidiaries:- | | | |
| 15,431 | (9,355) | 6,076 | ERC Leisure Trust | 16,377 | (10,252) | 6,125 |
| 70 | (217) | (147) | Common Good | 76 | - | 76 |
| 14 | (10) | 4 | Trust Funds | 23 | (21) | 2 |
| 358,448 | (116,471) | 241,977 | Net Cost of General Fund Services | 366,480 | (123,589) | 242,891 |
| 16,278 | (11,858) | 4,420 | HRA | 18,285 | (12,562) | 5,723 |
| 374,726 | (128,329) | 246,397 | Cost of Services | 384,765 | (136,151) | 248,614 |
| | | (1,818) | Other operating expenditure | | | (1,041) |
| | | 12,292 | Financing and investment income and expenditure | | | 13,232 |
| | | (245,766) | Taxation and non-specific grant income | | | (254,578) |
| | | 11,105 | (Surplus) / Deficit on Provision of Services | | | 6,227 |
| | | (449) | Share of operating results of associates | | | (2,624) |
| | | (264) | Share of operating results of joint venture | | | 366 |
| | | 10,392 | Group (Surplus) / Deficit (Note 1 Group) | | | 3,969 |
| | | (11,747) | (Surplus) / Deficit on revaluation of fixed assets | | | (16,392) |
| | | 35,336 | Actuarial (gains)/losses on pension assets/liabilities | | | (62,658) |
| | | 598 | Share of other comprehensive expenditure and income of associates and joint venture | | | (1,626) |
| | | 24,187 | Other Comprehensive (Income) and Expenditure | | | (80,676) |
| | | 34,579 | Total Comprehensive (Income) and Expenditure | | | (76,707) |



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 Restated £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 2019 carried forward | (10,554) | (19,049) | (1,718) | (6,581) | (1,950) | (3,835) | (43,687) | (357,693) | (8,231) | (7,071) | (416,682) |
| Movement in reserves during 2019/20 | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | 200 | - | 5,451 | - | - | - | 5,651 | (76,140) | (1,682) | (4,536) | (76,707) |
| Adjustments between accounting basis & funding basis under regulations | (1,310) | - | (6,049) | - | - | 1,200 | (6,159) | 6,159 | (961) | 961 | - |
| (Increase)/Decrease in 2019/20 | (1,110) | - | (598) | - | - | 1,200 | (508) | (69,981) | (2,643) | (3,575) | (76,707) |
| Net transfer to or from Reserves | 2,074 | (2,795) | - | 752 | (10) | (21) | - | - | - | - | - |
| Balance at 31 March 2020 carried forward | (9,590) | (21,844) | (2,316) | (5,829) | (1,960) | (2,656) | (44,195) | (427,674) | (10,874) | (10,646) | (493,389) |
| | | | | | | | | | | | |
| 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 | 7,657 | - | 2,594 | - | - | - | 10,251 | 22,003 | 141 | 2,184 | 34,579 |
| Adjustments between accounting basis & funding basis under regulations | (11,971) | - | (2,683) | - | - | 10,573 | (4,081) | 4,081 | (65) | 65 | - |
| (Increase)/Decrease in 2018/19 | (4,314) | - | (293) | - | - | 10,573 | 6,170 | 26,084 | 76 | 2,249 | 34,579 |
| Net transfer to or from Reserves | 3,893 | (2,752) | 204 | 1,829 | (16) | (2,954) | - | - | - | - | - |
| Balance at 31 March 2019 carried forward | (10,554) | (19,049) | (1,718) | (6,581) | (1,950) | (3,835) | (43,687) | (357,693) | (8,231) | (7,071) | (416,682) |



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'.

| 31 March 2019 £000 | | 31 March 2020 £000 |
|-----------------------|--|-----------------------|
| 688,913 | Property, Plant & Equipment | 727,232 |
| 234 | Heritage Assets | 234 |
| 386 | Intangible Assets | 289 |
| 16,860 | Long-term Investments and/or Investments in Associates and Joint Venture | 20,481 |
| 271 | Investments | 262 |
| 706,664 | Long Term Assets | 748,498 |
| 1,034 | Assets Held for Sale | 986 |
| 447 | Short Term Intangible Assets | 481 |
| 475 | Inventories | 516 |
| 15,972 | Short Term Debtors | 15,390 |
| 33,997 | Short Term Investments | 34,249 |
| 31,989 | Cash and Cash Equivalents | 38,277 |
| 83,914 | Current Assets | 89,899 |
| (2,163) | Short Term Borrowing | (561) |
| (4,732) | Finance Leases including PFI/PPP | (4,787) |
| (49,753) | Short Term Creditors | (44,084) |
| (152) | Provisions | (209) |
| (56,800) | Current Liabilities | (49,641) |
| (151) | Provisions – long term | (157) |
| (87,788) | Long Term Borrowing | (114,226) |
| (93) | Long Term Creditors | (93) |
| (555) | Liabilities in associates and joint venture | (292) |
| (85,748) | PFI/PPP Finance Lease | (80,960) |
| (138,663) | Defined Benefit Pension Liability | (93,571) |
| (4,098) | Capital Grant Receipts in Advance | (6,068) |
| (317,096) | Long Term Liabilities | (295,367) |
| 416,682 | Net Assets | 493,389 |
| (51,918) | Usable Reserves | (55,069) |
| (364,764) | Unusable Reserves | (438,320) |
| (416,682) | Total Reserves | (493,389) |

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 8th June 2020

**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.

| 2018/19 | | 2019/20 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 10,392 | Net Group (surplus) or deficit on the provision of services | 3,969 |
| (37,370) | Group adjustments to net surplus or deficit on the provision of services for non-cash movements | (12,075) |
| | - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| (26,978) | Net cash flows from Operating Activities | (8,106) |
| 23,729 | Investing Activities | 21,678 |
| 6,952 | Financing Activities | (19,860) |
| 3,703 | Net (increase) or decrease in cash and cash equivalents | (6,288) |
| (35,692) | Cash and cash equivalents at the beginning of the reporting period | (31,989) |
| (31,989) | Cash and cash equivalents at the end of the reporting period | (38,277) |



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.

| | 2019/20 £000 | 2018/19 £000 |
|--|---------------------|-------------------|
| (Surplus)/Deficit on East Renfrewshire Council's provision of services | 5,651 | 10,251 |
| (Surplus)/Deficit in year arising from subsidiaries included in Group Accounts: | | |
| Net expenditure/(income) on Trust Funds in year | - | 1 |
| Common Good | 76 | (147) |
| East Renfrewshire Culture and Leisure Trust | 500 | 1,000 |
| (Surplus)/Deficit in year arising from associates included in the Group Accounts: | | |
| <ul style="list-style-type: none"> • Strathclyde Partnership for Transport • Strathclyde Concessionary Travel Scheme Joint Committee • Renfrewshire Valuation Board | (2,663) 21 18 | (524) 12 63 |
| (Surplus)/Deficit in year arising from a joint venture included in the Group Account: | | |
| East Renfrewshire Integration Joint Board | 366 | (264) |
| GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES | 3,969 | 10,392 |



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 £866m at 31 March 2020. The loss on ordinary activities before and after taxation for the year to 31 March 2020 was £0.5m (2018/19 £1.00m).

The latest set of audited accounts is for the year to 31 March 2020. 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.



Notes to the Group Accounts (cont'd)

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. The Council contributed 1.51m or 4.26% to the Authority's running costs during 2019/20 and accounted for £18.146m (2018/19 £14.138m) 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 2019/20 the Council contributed £0.184m or 4.46% to the annual running costs and accounted for £0.032m (2018/19 £0.053m) 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 £0.515 or 20.59% to the organisation's revenue costs and its share of the year- end net liability of £0.292m (2018/19 £0.582m) is included in the Group Balance Sheet.



Notes to the Group Accounts (cont'd)

Joint Venture:-

East Renfrewshire Integration Joint Board

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

Integration Joint Boards are specified as Section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 2019/20 the Council contributed £67m or 38% to the annual running costs and accounted for £2.303m (2018/19 £2.669m) 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 £21.520m, 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.



Notes to the Group Accounts (cont'd)

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.

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 | | Balance 31.03.19 £ | Expenditure £ | Income £ | Balance 31.03.20 £ |
|--|----------------------------------|--------------------------|------------------|---------------|--------------------------|
| SCO05976 | Duff Memorial Fund | 7,394 | - | 65 | 7,459 |
| SCO16641 | Newton Mearns Benevolent Fund | 3,417 | 710 | 22 | 2,729 |
| SCO19475 | Janet Hamilton Fund | 14,607 | 1,194 | 287 | 13,700 |
| SCO19474 | John Pattison Memorial | 159 | 135 | 52 | 76 |
| SCO19473 | Hugh & Janet Martin Fund | 1,072 | - | 89 | 1,161 |
| SCO37293 | Netherlee School 1937 | 205 | 20,000 | 21,728 | 1,933 |
| SCO37925 | Talented Children & Young People | 16 | - | 3 | 19 |
| CHARITABLE REVENUE BALANCES | | 26,870 | 22,039 | 22,246 | 27,077 |
| | Thornliebank War Memorial Fund | 696 | - | 5 | 701 |
| | Anderson Bequest | 112 | 45 | 6 | 73 |
| | Cathcart Cemetery Fund | 6,236 | - | 51 | 6,287 |
| | Crum Memorial | 63 | - | 6 | 69 |
| | McNiven Prize | 923 | - | 10 | 933 |
| | Rev Denis Reen | 2,192 | - | 22 | 2,214 |
| | James Cowan Bequest | 388 | - | 10 | 398 |
| | Cowan Park Cropping Fund | 23 | - | 2 | 25 |
| | Annie Tyson Trust Fund | 48,064 | 1,000 | 1,091 | 48,155 |
| | Rita Donnelly Memorial Prize | 20 | - | - | 20 |
| OTHER TRUST FUND REVENUE BALANCES | | 58,717 | 1,045 | 1,203 | 58,875 |

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

| | | | Capital Value of Fund | | |
|--|----------------------------------|---|------------------------------|-----------------|---------------|
| | | | 31.03.20 | 31.03.19 | |
| | | | £ | £ | |
| 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 | |

| | | 2019/20 | 2018/19 |
|-----------------------------------|--------------------------|----------------|----------------|
| | | £ | £ |
| Balance Sheet – Charitable | Fund balances | 114,140 | 113,933 |
| | Creditors | - | - |
| | TOTAL LIABILITIES | 114,140 | 113,933 |
| | Investments | - | - |
| | Debtors | - | - |
| | Due by Loans Fund | 114,140 | 113,933 |
| | TOTAL ASSETS | 114,140 | 113,933 |

| | | 2019/20 | 2018/19 |
|--|--------------------------|----------------|----------------|
| | | £ | £ |
| Balance Sheet – Other Trust Funds | Fund balances | 226,437 | 226,279 |
| | Creditors | - | - |
| | TOTAL LIABILITIES | 226,437 | 226,279 |
| | Investments | - | - |
| | Debtors | - | - |
| | Due by Loans Fund | 226,437 | 226,279 |
| | TOTAL ASSETS | 226,437 | 226,279 |



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 £71,874(2018/19, £70,157) representing 2% (2018/19, 2%) of the organisation's estimated running costs for the year to 31 March 2020.
- 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 £52,437(2018/19, £72,438) representing 12.5% (2018/19, 12.5%) of the Committee's estimated running costs for the year to 31 March 2020.
- **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 (2018/19, £16,400) representing 4.19% (2018/19 4.19%) of the consortium's estimated running costs for the year to 31 March 2020.
- 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 (2018/19, £7,619) representing 5.95% (2018/19 5.95%) of the Committee's estimated running costs for the year to 31 March 2020.
- 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 (WOSEC). During the year, the Council made a contribution of £1,632 (2018/19 £1,632) representing 3.87% (2018/19 3.87%) of the Forum's estimated running costs for the year to 31 March 2020.
- 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 £67,028(2018/19 £56,695) representing 5.2% (2018/19 5.1%) of the organisation's running costs for the year to March 2020.

- 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 £64,315 (2018/19 £78,263) representing 2.51% (2018/19 2.51%) of the organisation's running costs for the year to 31 March 2020.



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 who's 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



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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

25 June 2020

Report by Chief Executive

EAST RENFREWSHIRE CULTURE AND LEISURE TRUST
BEST VALUE REVIEW

PURPOSE OF REPORT

1. To provide the Audit and Scrutiny Committee with the final report from the Best Value Review of East Renfrewshire Culture and Leisure Trust.

RECOMMENDATIONS

2. It is recommended that the Audit and Scrutiny Committee:
- a) note the current recommendations contained within the Best Value Review of East Renfrewshire Culture and Leisure Trust
 - b) agree that the Director of Education, in consultation with the Chief Executive of the East Renfrewshire Culture and Leisure Trust, review the recommendations within the Report in light of the current Covid-19 pandemic and advises which are still valid in a report to a future meeting of the Audit and Scrutiny Committee

BACKGROUND

3. The Audit and Scrutiny Committee approved the deletion of the audit of the operation of the East Renfrewshire Culture and Leisure Trust from the 2019/2020 Internal Audit Plan on 15th August 2019. This was agreed on the basis that the Scrutiny and Evaluation Officer would progress a Best Value Review of the Trust and that the findings would be reported to the committee in due course.

4. The scope and timeline of the Best Value Review of East Renfrewshire Culture and Leisure Trust were agreed in October 2019 by the Chief Executive and Director of Education of East Renfrewshire Council, and the Chief Executive of East Renfrewshire Culture and Leisure Trust. This was noted by the Audit and Scrutiny Committee on 21st November 2019. The review was carried out between January and March 2020 and involved a series of twenty-three interviews, meetings and visits being undertaken involving representatives of the Trust and the Council.

5. The Scrutiny and Evaluation Officer completed this work just prior to finishing his fixed term contract on 31st March 2020. This report was due to be considered by

the Audit and Scrutiny Committee on 30th April 2020 but this meeting was cancelled due to Covid-19 pandemic.

REPORT

6. The review considered the core objectives of the Trust's existence, relating principally to finance, governance, performance and improvement, customer responsiveness, and social inclusion reflecting the shared objectives of the Council's Outcome Delivery Plan; the Community Plan, and the Fairer East Ren Plan. Commentary on these areas is provided at each section where they were explored, including recommendations for both the Trust and the Council to consider. A summary of the report scope contents and findings are outlined below.

Scope Item 1 – Eastwood Park

7. To note the constructive joint working arrangements which were agreed in December 2019, involving the Council and the Trust, for the provision of a new leisure centre and theatre in Eastwood Park,

Scope Item 2 – Performance

8. A wide range of baseline data from 2015 to 2019 of customer activity and visitor numbers, across all areas was considered. There is evidence of continuous improvement and increased customer satisfaction rates.

Scope Item 3 – Governance

9. A review of the legal agreement between the Council and the Trust, information on efficiency savings, annual savings on Non-Domestic rates and VAT were all considered as part of this Best Value Review.

10. The Council approved the fifth annual Trust Business Plan (2020/21) on 18th December 2019 which included clear direction that was in accordance with the Council's strategies and outcomes.

Scope Item 4 – Joint working between the Council and Core Activities of the Trust

11. A range of areas were explored as part of this review where the Trust and the Council were working closely for the benefit of the residents of East Renfrewshire and analysis of this work is contained throughout the report.

12. This Report highlights examples of the Trust and the Department of Education working together to support young people to become more physical activity; of the Trust and HSCP working together as part of the Corporate Parenting responsibilities and examples of work between NHS GG&C Health Board to deliver a very successful programme of group exercise classes for local people who are living with a range of medical conditions.

Scope Item 5 – Value for Money

13. Detailed financial information and analysis is outlined in the Report but overall the Report concludes that the Trust is meeting its savings targets, in accordance with the original objectives when the Trust was established in 2015/16, demonstrating sound, and resilient financial management practices, including improved financial planning through three-year budgeting.

Current situation

14. It is important to note that this Review was undertaken between January and March 2020, prior to the current Covid-19 pandemic. ERCLT finds itself in a different position currently with most employees furloughed and the buildings closed and work and activities suspended.

15. Understandably the focus over the next few months will be on recovery and addressing the challenges this will bring. It may be that some of the recommendations contained with the Best Value Review are no-longer appropriate or deemed not to be a priority at this point. In light of this situation it is proposed that the Director of Education, in partnership with the Chief Executive of the Trust consider and review the current recommendations and advise the Audit and Scrutiny Committee of the outcome at a future date.

CONCLUSION

16. The Articles of Association for the Trust define its charitable purposes as: the advancement of education; the advancement of the arts, heritage or culture; the advancement of public participation in sport; and the provision of recreational facilities, or the organisation of recreational activities. These goals are continuing to be met through support from the Council; the strategic direction of the Trust Board and its senior management; and delivered by a well-trained and committed workforce, including the pursuit of the Trust's vision to be the *'highest performing Leisure Trust in Scotland'*.

17. As the Report currently stands there are a number of opportunities for further improvement, including revisions to the SLAs to reflect the need for stronger ties to be stated for closer alignment of the strategic goals of both organisations, and for discussions to commence on the joint booking arrangements for sports pitches and pavilions,

18. Based on the evidence provided, the relationship in East Renfrewshire between the Trust Board and the Council is very positive, and is developing stronger roots, founded upon mutual respect and understanding. Although there have been some challenges there is a good working relationship and the Trust has made significant progress in a number of areas.

RECOMMENDATIONS

19. It is recommended that the Audit and Scrutiny Committee
- a) note the current recommendations contained within the Best Value Review of East Renfrewshire Culture and Leisure Trust
 - b) agree that the Director of Education, in partnership with the Chief Executive of the East Renfrewshire Culture and Leisure Trust, review the recommendations within the Report in light of the current Covid-19 pandemic and advises which are still valid in a report to a future meeting of the Audit and Scrutiny Committee

Chief Executive
25th June 2020

Report author

Gill Darbyshire, Chief Executive's Business Manager, (07718 422 036)
E-mail address: gill.darbyshire@eastrenfrewshire.gov.uk

Background Papers

Report by Chief Executive to Audit and Scrutiny Committee, 21 November 2019:
East Renfrewshire culture and Leisure Trust Best Value Review

Report by Chief Executive to Audit and Scrutiny Committee, 26 September 2019:
Audit and Scrutiny Committee Work Plan

Report by Chief Executive to Audit and Scrutiny Committee, 15 August 2019:
Potential Areas for Scrutiny and Review Investigations



EAST RENFREWSHIRE COUNCIL

**East Renfrewshire Culture and Leisure Trust:
Best Value Review**

Report by Scrutiny and Evaluation Officer

(V1.0)

Charles Leleux
Scrutiny and Evaluation Officer
Chief Executive's Office
Chief Executive's Business Unit
25 March 2020

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EXECUTIVE SUMMARY

1. Joint working arrangements have been agreed between the Trust and the Council, concerning the provision of a new leisure centre and theatre in Eastwood Park;
2. Informal discussions are taking place between the Leader of the Council and the Chair of the Trust Board, to ensure the strategic directions of both organisations are aligned;
3. Revised complaints handling procedures are recommended for introduction by the Trust and the Council;
4. Sustained growth of participation rates in sports development, including grassroots development has been achieved since the Trust's inception in 2015;
5. Libraries and Information Services are performing in the top quartile of Trusts for book issues, physical and virtual visits, and active borrowers, based on CIPFA data;
6. Opportunities to be explored for further commercial development of halls, community facilities, and school lettings through joint discussions between the Trust/Council;
7. The launch in late 2019 of new memberships products and pricing, combined with a marketing campaign aimed at new members, demonstrates decisive leadership by the Trust Board and senior management (subject to later analysis of the financial results);
8. The Trust is continuing to make significant contributions towards improving health and wellbeing outcomes across the East Renfrewshire community since 2015, in line with the Council's Outcome Delivery Plan; Community Plan/Fairer East Ren objectives;
9. Savings have been delivered by the Trust on Non Domestic Rates and VAT, in line with the original objectives when it was established in 2015. However, savings targets for the Trust in 2020/21 will be challenging;
10. The Service Level Agreements have mostly worked well, although recommendations have been made for improvement measures to be undertaken by both organisations;
11. Evidence is provided of successful partnership working between the Trust and other bodies, in particular the Health and Social Care Partnership;
12. Assessments have been made concerning the value for money for the services which the Trust delivers, through its funding from the Council. This relates to its financial management; customer responsiveness; community planning; and performance; and
13. Recommendations have been provided on other improvement areas for both organisations to consider, such as the proposal to hold joint discussions on improving the experience for customers when booking sports pitches and changing pavilions, which are currently managed separately by the Council and the Trust.

1. INTRODUCTION

1.1 The Audit and Scrutiny Committee of East Renfrewshire Council (the Council) on 15 August 2019, approved the deletion of the audit of the operation of the East Renfrewshire Culture and Leisure Trust (the Trust) from the 2019/20 Internal Audit Plan. This was agreed on the basis that the Scrutiny and Evaluation Officer would instead undertake a best value review of the Trust, the findings of which would be reported to the committee in due course.

1.2 The background to this decision was that following a Solace-in-Business (SiB) review in 2018 of the Trust's financial governance, it was considered after three full years' of operation, a best value review of the Trust should be undertaken. The aim was to determine what has worked well in the formation of the Trust, and what areas could be improved going forward.

1.3 The scope of the best value review was agreed in October 2019, between the Chief Executive and Director of Education of the Council, and the Chief Executive of the Trust. Thereafter, the Audit and Scrutiny Committee at their meeting on 21 November 2019 noted the scope and timeline of the review, further details of which are provided at Section 2. The review was carried out between January and March 2020, although some preparatory visits and discussions took place towards the end of 2019.

1.4 The review was conducted using the principles which underpin the 'best value' audit process:

'Best value is about ensuring that there is good governance and effective management of resources, with a focus on improvement, to deliver the best possible outcomes for the public.'

(Audit Scotland: Best Value/What is Best Value? Accessed: 25.2.20)

<https://www.audit-scotland.gov.uk/our-work/best-value>

Establishment of Trust and Related Issues

1.5 The Trust was formed on 2 July 2015, with the aim of providing improved culture and leisure services to the residents of East Renfrewshire, and achieving financial benefits through the formation of a charity, with the potential for savings on Non-Domestic Rates (NDR) and VAT. Evidence is provided from this review that significant savings have been made, and that the core guiding principles agreed at the inception of the Trust are still being adhered to.

1.6 The performance of the Trust is reported to the Council by the Director of Education who has responsibility for this through the Management Agreement, which was established at its inception. Each year, the Director of Education presents the Annual Business Plan, and the Trust End Year report, for approval by the Council. Commentary on the progress made by the Trust on various fronts has been provided in later sections.

1.7 The importance of good relationships and shared vision between both organisations are fundamental to the successful delivery of leisure and cultural services to the East Renfrewshire community. Examples of joint working are provided, including proposals for a new leisure centre and theatre in Eastwood Park. The Service Level Agreements (SLAs) which were put in place when the Trust was formed have been reviewed as to what has worked well; what could be improved moving forward; and the extent to which they have the customer in mind (Section 4).

1.8 The commercial environment in which the Trust operates has to be recognised, including how it responds to pressures which it faces from the private sector, and the changing

needs of customers. The remodelling of the gym price structure to create one of the most competitive offers in the Greater Glasgow area, and the move to earlier opening hours of the Trust's leisure facilities from January 2020, are good examples of decisive leadership. Both were supported by an integrated approach which included a marketing campaign to attract new members, and retain existing ones. The Trust Board and senior management have taken a financial risk by introducing these changes, the results of which have still to be analysed, although early indications are encouraging.

1.9 A key factor in the establishment of the Trust, was how culture and leisure services can best contribute to the Community Plan (including a Fairer East Renfrewshire). This aspect is explored in detail in the review, and some specific examples are provided where the Trust has prioritised social inclusion and physical/mental health, above that of commercial gain, which is notable. The Health for Heroes programme (Section 4) is a very good example of this.

1.10 A series of twenty-three interviews, meetings and visits were undertaken as part of this review, involving representatives of the Trust and the Council, further details of which can be found in Section 3, and in Appendix 2.

1.11 The review considered the core objectives of the Trust's existence, relating principally to finance, governance, performance and improvement, customer responsiveness, and social inclusion reflecting the shared objectives of the Council's Outcome Delivery Plan; the Community Plan, and the Fairer East Ren Plan. Commentary on these areas has been provided at each section where they were explored, including recommendations for both the Trust and the Council to consider.

2. SCOPE OF INVESTIGATION

2.1 The Best Value review of the Trust was conducted by the Scrutiny and Evaluation Officer between January and March, 2020, working to the brief which had been agreed jointly between the Council and the Trust:

1 Eastwood Park

The review would take into account the planned new leisure centre in Eastwood Park, and the closure of facilities for maintenance and improvement;

2 Performance

To consider:

- Baseline data from 2015 to 2019 of customer activity and visitor numbers across all areas. This would include performance indicators from 2015, and benchmarking data, as evidence of continuous improvement and customer satisfaction rates;
- Other evidence of continuous improvement and service re-design of the Trust's activities and responsibilities, involving customer engagement and participation, since 2015;
- Evidence of improvement in health and wellbeing across the East Renfrewshire community since 2015, and correlating with the involvement of the Trust where possible. A general assessment was to be based on outputs. However, if scope existed to develop more meaningful indicators as a natural progression of existing work at a later stage of the review, then that was to be the subject of further discussion;

3 Governance

To review the legal agreement between the Council and the Trust having regard to:

- Suitability of the Trust model to deliver (1) efficiency savings in line with Council annual targets, and (2) annual savings on Non-Domestic rates and VAT, in accordance with original objectives;
- Evidence of the ongoing contribution of the Trust to Council goals and community planning objectives, including exploring the scope to make more explicit some of the wider contributions which the Trust could be expected to make; and
- The agility of the Trust model to deliver transformational change across Trust facilities and services, and whether or not the Trust is best served by Council support services in this regard, such as Property and Technical Services;

4 Joint Working Between the Council and Core Activities of the Trust

To consider opportunities for further collaboration between the Council, the Health and Social Care Partnership (HSCP), and the Trust, which have the potential to provide improved services and outcomes for the residents of East Renfrewshire, and which should be considered in more detail in the future; and

5 Value for Money

To consider evidence of value for money being achieved by both the Council and the Trust, including within the individual Service Level Agreements for delivery of core services.

3. METHODOLOGY

3.1 A mixed-methods approach was used by the Scrutiny and Evaluation Officer in the conduct of the review, which included:

- 1 Telephone interviews;
- 2 Semi-structured interviews with staff involved in providing support services functions to the Council and the Trust, e.g. Property and Technical Services; Financial Services; ICT services; Human Resources; Performance, Communications; Health and Safety etc.
- 3 Undertaking visits to various Trust facilities, and discussions with venue managers, service managers, and respective Heads of Service;
- 4 Follow-up requests for submission of documentary evidence, following interviews and visits;
- 5 Internet searches, and telephone discussions with other organisations, to gather information concerning the operation of leisure and cultural trusts elsewhere in the United Kingdom; and
- 6 Sharing of information and interim findings with the Council and the Trust, at different stages of the review, as part of a learning and partnership approach.

3.2 A full list of the interviews, meetings and visits undertaken is provided at Appendix 2.

4. FINDINGS

Scope Item 1. Eastwood Park

The review would take into account the planned new leisure centre in Eastwood Park, and the closure of facilities for maintenance and improvement

4.1 In view of recent developments concerning the selection of Eastwood Park as the preferred site for a new Eastwood Leisure Centre and Theatre, and acknowledging that these proposals are at an early stage of development, it has not been possible to address this part of the review in detail. Instead, the information provided in this section is primarily for information purposes only, and demonstrates a good example of joint working and shared vision between the Council and the Trust.

4.2 On 31 October 2019, the Council approved Eastwood Park as the preferred site for a new Eastwood Leisure Centre and theatre. It was also agreed that the Director of Environment report back as soon as possible with options and costs regarding the new facilities, and to note the progress being made with the Eastwood Park master planning exercise. At the subsequent meeting of the Council held on 18 December 2019, it was decided to:

- 1 note the current position with regard to the Eastwood Leisure Centre and Eastwood Park Masterplan;
- 2 approve the proposal to establish a joint member/officer working group with Elected Member representation from the Leisure Trust; and
- 3 agree that the member/officer working group would comprise of the following:

Provost Jim Fletcher;
Councillor Tony Buchanan (Leader);
Councillor Barbara Grant;
Councillor Colm Merrick;
Councillor Paul O’Kane;
Councillor Gordon Wallace;
Chief Executive of the Trust; and
One unelected member of the Trust Board.

4.3 With joint representation on the working group involving the Council and the Trust, including the Trust Chief Executive, this would ensure that the proposals reflected the developing vision and relationship between both bodies, and importantly, that the new project and the Trust Business Plan were aligned. The working group will report back to the Council with firm recommendations on the way forward, with the leisure centre and theatre being prioritised, and wider master planning issues to be considered at a later date if necessary.

Recommendation:

To note the constructive joint working arrangements which were agreed in December 2019, involving the Council and the Trust, for the provision of a new leisure centre and theatre in Eastwood Park, including the Eastwood Park Masterplan.

Scope Item 2. Performance

General

4.4 Meetings take place on a monthly basis between the Council's Head of Education Services (Quality Improvement and Performance) and the Chief Executive of the Trust to discuss the formal aspects of performance monitoring. This has been refined over time, and an extensive level of scrutiny takes place. The Trust gathers information on customer comments, cancellations, changing patterns of customer activity, including new customers being asked what attracted them to join. Analysis of the results can help inform future service delivery and targeting, for example the recent change in opening hours of leisure centres (see below) was based on feedback from customers who wished to use the facilities earlier in the morning. Pilot projects have been used to assess the likelihood of success of more permanent arrangements.

4.5 Performance information is gathered on a continuous basis by the Trust, and covers all of its front-line services grouped under the headings: Sports and Physical Activity; Libraries and Information Services; Communities and Arts; and Operational Venues. The statistics are collated quarterly into the Balanced Scorecard and Business Performance Overview, which are considered by the Trust Board, its senior management team, and then disseminated widely across the organisation. This is a core requirement of the Trust to better understand the changing aspects of customer activity and experiences. The Trust website will be used to greater effect in producing information on visitor activity following proposed revisions.

4.6 The Annual performance of the Trust is reported to the Council through the Trust End Year report, produced by the Director of Education and the Head of Education Services (Quality Improvement and Performance).

Complaints

4.7 Complaints can be registered through various different channels including comments cards, phone calls, letters etc. They are then logged on to a common software platform used by both the Council and the Trust called 'LAGGAN'. The LAGGAN system allows complaints monitoring, and comparisons, to take place across all of the Council's services and the Trust's operations on an identical basis. The Council is however changing its Customer Relationship Management system away from LAGGAN in the next few months, which will inevitably involve a review of information gathered and how it is analysed.

4.8 More generally, the Trust in common with the Council and other public sector bodies has, on occasion, difficult decisions to make when determining whether or not feedback from a customer is an observation, and should therefore be treated as a comment, or alternatively it should be recognised as a complaint.

4.9 To assist public bodies in the consistent application of complaint handling procedures, the Scottish Public Services Ombudsman (SPSO), published on 31 January 2020 the revised Model Complaints Handling Procedure (MCHP) for Local Authorities. Public bodies are required to implement the updated MCHP in 2020/21, with full implementation due by no later than 1 April 2021. Part 2 of the new procedures include guidance on identifying what is and what is not a complaint. The Trust has already instigated a review of its complaints handling process.

Recommendation:

To agree that the Council and the Trust implement the revised procedures from the Model Complaints Handling Procedure within a timescale to be discussed and agreed jointly, through existing consultative arrangements for complaints handling.

Consider baseline data from 2015 to 2019 of customer activity and visitor numbers across all areas. This would include performance indicators and benchmarking data, as evidence of continuous improvement and customer satisfaction rates

Sports and Physical Activity

4.10 Community Sports Hubs in East Renfrewshire have grown from three in 2015, to five in 2019. Thirty local sports clubs are members of a Community Sports Hub with a combined membership of over 6,300 junior members and a volunteer coaching workforce of over 1,800. A network of Child Protection Officers within the Community Sports Hub network has been established, and training provided to support these volunteers to help improve safeguarding processes within local club sport. The Trust delivers about 157 commercial sports class activity sessions every week with over 2,600 individuals participating.

4.11 In 2018/19 over 550 individuals undertook coach education and training with the Trust's Sports Development services, which increased from 339 in 2015. Since 2015 the number of teams registered to play in the East Renfrewshire Soccer Development Association framework has increased from 96 to 203. The number of junior players that are participating has increased from 825 to 1,632 between 2015 and 2019, and the number of volunteer football coaches involved has increased from 207 to 416 in the same period. The Sports Development Service of the Trust has created a positive environment for children and young people in sport through: appreciating the value of effort and learning, an emphasis on personal improvement and performance, fostering a competitive but fair sporting mentality, dealing positively with mistakes, and where valuable life skills are developed through sports participation.

4.12 Since the Glasgow Commonwealth Games in 2014 there has been a steady increase in demand for gymnastics activities at a local level. The Trust's gymnastics programme has grown from 50 gymnasts participating on a weekly basis in 2015, to over 600 in 2019. The Trust has supported the development of a new gymnastics club in Barrhead, Flair Gymnastics, due to the gap in local club infrastructure. The Trust is also considering the development of a dedicated gymnastics centre to fully realise the local demand for grassroots gymnastics in East Renfrewshire, and to exploit the high demand for early years gymnastics.

4.13 **sportscotland** the national agency for sport in Scotland, introduced a School Sports Award programme in 2017. This is a national accreditation scheme for schools and awards are ranked Gold, Silver and Bronze. Twenty East Renfrewshire schools have been awarded Gold status (which is the largest pro-rated percentage of any authority in Scotland), and the Active Schools Team is working with the remaining schools to put the sporting systems in place to support the attainment of Gold accreditation.

Recommendation:

To acknowledge the continued growth of participation rates in sports development, including grassroots expansion, which has been achieved since the Trust's inception in 2015.

Libraries and Information Services

4.14 The Council's Cabinet on 28 November 2019 approved a new Public Library Strategy 2019-22 for East Renfrewshire. It replaced the previous Libraries Strategy and set out the new vision and strategic direction for the library service. The strategy reflects the 6 key themes of the national strategy for public libraries and how they are applied at a local level:

- Libraries promoting reading, literacy and learning
- Libraries promoting digital inclusion
- Libraries promoting economic wellbeing
- Libraries promoting social wellbeing

- Libraries promoting culture and creativity
- Libraries as excellent public services.

4.15 The new strategy identified the library service's contribution to the relevant outcomes of the Community Plan, Fairer East Ren, and Outcome Delivery Plan. The measures of success for this strategy and the library service lie in the impacts that it brings to reading and literacy levels, health and wellbeing, digital inclusion, etc. of the residents of East Renfrewshire. The strategy builds upon the work of the previous version which sought to establish libraries as community hubs within each East Renfrewshire locality. A further key element of the strategy is the emphasis on partnership working, which enable the delivery of library services, and supports other organisations to meet their aims and objectives.

4.16 Usage levels for the service have continued to be positive despite the generally falling national trends for public library usage. The Chartered Institute of Public Finance and Accountancy (CIPFA) benchmarking data for 2017/18 showed that for book issues, eBook issues, physical and virtual visits, and active borrowers, East Renfrewshire remained in the top quartile of Trusts. The cost per visit to libraries in East Renfrewshire had fallen considerably from £3.97 in 2015/16, to £1.06 in 2017/18, against a national average of £2.08. For comparison, the national average in 2015/16 was £2.58.

4.17 The reduction in costs per visit to libraries was achieved largely as a consequence of the successful delivery of a restructure in the Library Service undertaken between 2015/16 and 2016/17. This produced a very lean staffing model (noted below). With support from the Council for voluntary redundancies, the Trust were able to achieve a 20% reduction in the revenue budget for the Library and Information Services, with only an 8% reduction in service availability or opening hours. Interestingly, both attendances and usage numbers increased on previous years.

4.18 The Barrhead Foundry refurbishment had an impact on physical library visits, which were down 5% in 2017/18. More recently, in 2018/19, virtual visits to libraries in East Renfrewshire were up by 76% to 632,409, compared to 359,335 in 2017/18. Physical library visits are reducing slowly year on year from a peak of 578,157 in 2015/16, to 510,148 in 2018/19, although the rate of change is well-below the national average. Children and Young People's book issues have also been increasing year on year from 136,197 in 2015/16, to 152,260 in 2018/19. Electronic-book issues have risen by approximately 50% from 18,536 in 2017/18, to 27,295 in 2018/19 signifying positive trends by both customers and staff in moving towards greater delivery of services by digital methods, rather than visiting libraries in person.

4.19 The service runs with a fairly lean staffing complement to cover the ten facilities which it manages. On any given day, this requires flexibility from the staff with regards to working patterns, changing work locations, providing cover, lone working at single-staffed establishments etc. When staff absences and holidays are factored in, maintaining the performance of the service at the levels achieved is even more remarkable. Scrutiny of the performance of the Library and Information Service shows that it is performing well above the national average compared to other leisure and cultural trusts, and closer examination is required to better understand the reasons for this.

4.20 Some factors were noted during the review, which undoubtedly contributed to the strong performance levels being achieved. The service has a sound management structure and a committed workforce without whom the results being delivered could not be achieved; the service has a very good rapport with its customers across all age groups, and has embraced the move towards more digitally-delivered services. The citizens' panel results show consistently high satisfaction levels, as do other surveys of adults and children.

4.21 There are challenges which lie ahead, for example maintaining the (mostly) ageing property stock requires increasing levels of management attention, and discussion, regarding the scope of the Property and Technical Services SLA. Regarding ICT support, there is a continuing problem of being unable to access support outwith the normal operating hours of the Council. There are ICT firewall issues too, and implications which this causes for conducting external business by email. Property matters, and ICT issues relating to the respective SLAs are addressed in greater detail later in this report.

Recommendation:

To recognise the sustained performance of Libraries and Information Services, in the top quartile of Leisure Trusts in Scotland, for book issues, physical and virtual visits, and active borrowers, based on CIPFA data.

Communities and Arts

4.22 Planning for the transformation of theatre programming began in 2015/16, with significant progress being achieved over the past eighteen months through better understanding of the product and customer base. This also involved robust auditing of business processes, removing inefficiencies, developing products and forming new partnerships. A more commercially focused programming approach was adopted which included the creation of live-streaming and broadcasts by national companies such as the National Theatre, Sadler's Wells, the Royal Opera and others. Facilitated by investment from the Council, this allowed the theatre to programme individual performances with few overheads, and utilise discrete and otherwise empty slots within the programme to achieve the best use of the theatre's available time.

4.23 Partnerships have been developed with award winning British Sign Language (BSL) companies such as Solar Bear and the Royal Conservatoire, and Trust staff are keen to provide a positive experience for signing performers and audiences. A bank of freelance signers has been created to support signed performances. Transformation work around accessibility to Arts and Heritage services involves joint working with the Council's Equalities team to deliver exhibitions at the theatre, and programming of events includes provision for the Black, Asian and Minority Ethnic (BAME) community, with some direct lettings to BAME groups. The Community and Arts team has a long standing and positive working relationship with the BAME community. Teaching of Urdu is provided by volunteers from the BAME community, and they are given one of only a handful of free lets. The BAME community frequently hire larger halls for family events such as weddings. Examples of enhanced accessibility provisions include:

- Three programmed shows in the past twelve months had BSL interpretation provided by the Trust, all selling above anticipated levels;
- Trust stewarding staff have been given training on working with adults and children with Additional Support Needs (ASN);
- In conjunction with Alzheimer's Scotland, the Trust is currently running a focus group for those living with dementia to enable them to engage with the theatre programme;
- All BSL and 'relaxed' panto performances during 2019 were sell out shows; and
- Customer survey feedback for BSL/Relaxed performances has been very positive

4.24 'Relaxed' performances' apportion some of the programme to create a more inclusive and relaxed atmosphere, and sympathetic customer care for customers with ASN and their families, which includes such things as the creation of relaxation spaces within the theatre. They are an example of the Trust balancing their commercial considerations with a commitment to provide an inclusive offer to a broad range of customers, including those with special needs.

4.25 Through use of an alternative business model, there could be capacity to promote certain halls and facilities (e.g. Clarkston Hall and Eastwood House) to new markets such as themed nights and Christmas Parties. This would require joint discussion between the Trust and the Council regarding the implications for both organisations, including responsibility for events coordination and development.

4.26 The general condition of the halls and community facilities which the Trusts manages continues to be a challenge. Access to WiFi which is not currently offered, has been raised as a continuing concern. The following improvements, if implemented, would improve the marketing potential of the facilities which the Trust currently manages on behalf of the Council:

- Investment in new equipment to expand the screening programme;
- Upgrading of the auditorium to meet customer expectation, whilst awaiting the development of the new theatre within Eastwood Park;
- More theatre outreach work (especially in hard to reach communities); and
- Installation of WiFi in community halls

4.27 Community Halls provide safe spaces for people to meet and make new friends, to celebrate, perform, to exercise and learn. In difficult times they provide space for communities to come together, to be a focal point, and even a place of shelter. Despite the digital and sometimes isolated world in which some people live, community halls continue to provide a reassuring place for citizens and groups to visit across the entire East Renfrewshire area.

4.28 The Trust Business Support Team manages bookings of classes, halls and schools, ticket sales, taking payments, and processing payroll and absence. It supports the procurement process and ensures that goods and services are ordered to keep front line services functioning. The team manages school lettings on behalf of the Council via an SLA. In addition to the SLA there are contractual arrangements in place for the use of PPP/PFI schools. The Trust trains its staff to maximise the income from the contracted allocation available for use of the PPP/PFI contracts by signposting customers to PPP/PFI schools.

4.29 The Trust's ability to generate new income beyond existing levels is minimal, as prime time spaces are mostly at full capacity. Additional capacity exists but not at high demand times. The main barriers to generating additional income are the costs outwith contracted hours, and the latest layout/design of new schools which have open plan multi-purpose spaces.

4.30 For bookings within Council-owned schools, the Council's facilities management team is currently reviewing their staffing model. Previously, this has had an impact on the Trust's ability to generate income, as on occasion there were no Council staff available to cover bookings at weekends and during school holidays. The opportunity exists to develop a more robust approach towards cover for school lettings via the Education SLA. The number of visitors to schools (through bookings) has been increasing year on year since 2016/17:

- No. of visitors to schools 2016/17: 606,827
- No. of visitors to schools 2017/18: 628,490
- No. of visitors to schools 2018/19: 679,071

Recommendation:

To explore opportunities for further commercial development of the halls and community facilities, and school lettings, through joint discussions between the Trust and the Council, to include: alternative business models; events coordination/development; investment in new equipment; more theatre outreach work; extending school lettings periods; and installation of WiFi.

Operational Venues

4.31 The facilities which the Trust manages under these headings are diverse, which makes a generic assessment of overall performance difficult to undertake. There are other factors too which influence attendances quite significantly, such as closures of facilities for refurbishment, which require qualifications to be included when comparing one year to another. The facilities which are analysed in this section can be broken down into three main categories:

- Swimming Pools
- Dryside (games halls, gyms, courts and health suites)
- Outside Usage (jogging, walking, and EHSC tracks and pitches)

4.32 Pool usage has reduced year on year since a peak of 284,494 in 2015/16, to 236,632 in 2018/19. However, there have been significant periods when the pools have been unavailable due to extended closures due to repairs or major refurbishment, such as at The Foundry, Barrhead. On the other hand, a significant modernisation programme for the swimming pools has been delivered, including: building infrastructure, plant and equipment; maintenance and operations; opening times and programming; the Learn to Swim programme; staff training and development, pricing and payment; and recruitment and retention of customers. In 2016/17 the Trust worked in partnership with the Council to deliver an innovative redesign of pool plant, making East Renfrewshire the first Trust/Council in Scotland to use salt hydrolysers in all of its pools. This effectively eliminates hazardous chemicals by creating chlorine on site using salt, and de-risks operating procedures, and the Trust's supply chain and storage issues at the various sites.

4.33 The Learn to Swim programme, which is worth around £750k p.a. to the Trust was reviewed recently, and a business development programme implemented. Based on a combination of assessment of the facilities, performance to date, capacity and market-based information using Experian demographics, forecasts for a three-year period were developed and a programme put in place to assist the Trust to grow the customer base. This entailed a comprehensive overhaul of the programme to improve its quality, value for money and performance. The project also brought renewed focus on product, pricing and promotion.

4.34 A revision of the concession policy, with standardisation of discounts was implemented in 2018. The product structure was simplified, and a more commercial product development process was introduced, including a new allocation of pool time in 2019. This was designed to balance the competing demands for finite pool access between different client groups: public (pay-as-you-go swimming); swimming lessons (child, adult, special needs customers, BAME groups); swimming and diving club bookings; galas, events and competitions; and parties/family fun sessions. A new learn to swim framework (the Scottish Swimming product) was introduced in 2019.

4.35 Direct Debit payments were introduced for swimming to make payment 'frictionless' and improve retention rates. However, this was complex as it necessitated revising opening hours and the whole operating model, due to it involving a rolling programme of lessons throughout the year, whereby a huge number of lessons, especially those on Friday or Mondays, would be affected by public holidays and the closure of the venues. The Trust Board weighed-up these risks in supporting the changes. To date over two-thirds of customers have now moved to making their payments by direct debit.

4.36 The use of games halls, gyms, courts and health suites have increased from 309,375 in 2015/16, to 405,540 in 2018/19, although the phased refurbishment of the gym and other facilities at The Foundry had a major impact overall on usage figures. Surveys of users of the leisure centres which were conducted in 2014/15 (the year before the Trust came into existence), compared to 2017/18, showed some interesting variations:

- 20% increase in users to 83% who agreed the facilities provided a *welcoming atmosphere*;
- 13% increase in users to 90% who agreed that staff are *friendly and approachable*;
- 23% increase in users to 83% who agreed that staff are *knowledgeable and well-informed*;
- 14% increase in users to 72% who agreed that the facilities were *well suited to customers' needs*; and
- 16% increase in users to 70% who agreed there were a suitable range of activities on offer.

4.37 New catering operations were opened in 2018/19 at The Foundry and at the Eastwood Leisure Centre, which enhances the attractiveness and versatility of these venues for customers. The refurbishment of the gym at The Foundry has proved to be very popular. It is also worthwhile noting that the value of free lets and concessions provided by the Trust to the Council and other organisations in 2018/19 amounted to £237,053.

Consider other evidence of continuous improvement and service re-design of Trust activities, involving customer engagement and participation, since 2015.

4.38 The Trust website which was launched in 2016, makes good use of colour coding to signpost users, and is relatively simple to navigate. It keeps users up to date with current news and events involving the Trust, and there are useful links to information on partner organisations' activities, e.g. MacMillan Cancer Support:

<https://www.ercultureandleisure.org/article/10206/Clarkston-Cancer-Information-and-Support-Services>

4.39 Further refinements are being considered to improve the information which can be obtained from the website to assist with the overall experience for customers, and to enhance the potential for online interaction. Social media is used to gather users' views, including the undertaking of polls. New Fitness Membership products and pricing have been developed after consideration of customer feedback, which involves examination of complaints, cancellation reasons, NPS comments, customer comments and feedback from employees, and the use of competitor analysis.

4.40 The top three reasons for negative NPS scores were: 'condition of facilities'; prices too high'; and 'opening hours don't suit me'. In response, the Trust implemented the following changes to improve the customer journey from October 2019 to January 2020:

New Gym & Fitness Membership Products and Pricing

4.41 These were launched with a marketing campaign on 1 October 2019 and lowered the membership price from £42 to £29 per month. The new pricing has resulted in a significant increase in membership sales, especially 12 month contract memberships. Membership sales in Quarter 3 in 2019/20 increased by 86%, compared to Quarter 3 in 2018/19. Twelve month membership packages, as a percentage of total membership sales, increased from 27% to 52%. The increased numbers of memberships is welcome both from a financial point of view, and in terms of increased motivation for all staff who were involved in the promotions.

Barrhead Foundry

4.42 The gym and fitness studio at the Foundry were refurbished during November and December 2019, improving the gym and fitness experience by refreshing the gym equipment and increasing the size of the functional training area. This resulted in increased membership sales at this venue, up from 98 in January 2019, to 266 in January 2020.

The gym equipment in Eastwood Park was refreshed in December 2019, and increased the number of available spin bikes, which had been a specific customer and staff request. Membership sales at Eastwood Park have increased from 54 in January 2019, to 98 in January 2020.

New Extended Opening Hours

4.43 These have been introduced for gym and fitness customers at Eastwood Park Leisure; Neilston Leisure; and at Barrhead Foundry in late 2019. All three gyms are now open from 6am Monday to Friday (previously opening at 7.30am), which gives customers the opportunity to exercise prior to starting work. Early morning fitness classes were introduced after polling customers to ask them what fitness classes they would like and at what time. Nineteen new early morning fitness classes have now been introduced since January 2020.

4.44 The changes and improvements detailed above have involved a collective team effort across the Trust's services, involving input from: venues; systems; finance; business support; and marketing staff. The new fitness offer was put in place in time for the key annual marketing campaign in late 2019. This campaign delivered 435 new sales in January 2020, compared to 177 in January 2019. The re-modelling of the membership packages, and revised opening hours has involved a certain degree of financial risk being taken by the Trust, and while early indications are positive, more in-depth analysis will take place later in this financial year.

Recommendation:

To invite the Trust, later in 2020/21, to undertake financial and performance analysis of the move to earlier opening hours of facilities, and the introduction of a revised membership pricing policy.

Consider evidence of improvement in health and wellbeing across the East Renfrewshire community since 2015, and correlate with the involvement of the Trust where possible. (A general assessment will be based on outputs. However, if there is scope to develop more meaningful indicators as a natural progression of existing work at a later stage, then that could be the subject of further discussion).

4.45 Some elements of the brief for the best value review will require analysis to be undertaken at a later date with partners such as HSCP, once the activities have been operating for a sufficient length of time to allow for the gathering of data. It has however, been possible to provide information and analysis on certain areas of activity:

Health and Wellbeing of School Pupils

4.46 Opportunities are being created for children and young people to participate in school sport and physical activity, increasing steadily year on year since 2015. The Active Schools programme had its highest participation figures in the 2018/19 academic session of 8,200 participants making 169,000 visits to 7,200 activity sessions. In the 2015/16 academic session 6,500 participants made 141,000 visits to 7,100 activity sessions. Activity sessions included lunchtime programmes, after school activities, festivals, tournaments and showcase events, which are now a core part of the school experience for school pupils in East Renfrewshire.

4.47 The Trust Active Schools Team has increased the number of inter school sports events on offer and has thus increased the number of pupils who are participating in these activities year on year since 2015/16. The Team delivered 17 inter school sports events in 2018/19 which is an increase of 5 events from 2017/18. These events provide pupils with the opportunity to compete against pupils from other schools across East Renfrewshire and to visit other schools, to showcase their talents and to experience a large scale sporting event.

Sports events which were staged included: Athletics, Badminton, Basketball, Dance, Girls Football, Golf, Gymnastics, Netball and Rugby. In the summer term, the Trust delivered the East Renfrewshire Inter School Games which, since 2016, this multi- sport event has involved seven secondary schools.

Child Poverty

4.48 The Trust is committed to reducing the impact of child poverty in East Renfrewshire and delivers the highly respected holiday programme during school holidays. Free places are available on the catered Holiday Activity Camps at Barrhead High School, and Eastwood High Sports Centre, to pupils who are entitled to free school meals. Over 1,300 children participated in the Holiday Activity Catered Camp programme in 2019/20, approximately 50% of whom were from free or concessionary categories. This programme supports the most deprived children in East Renfrewshire in accessing high quality holiday activity experiences, and provides a healthy lunch throughout the school holidays, which is especially important in the 6/7 week summer school holiday period. Almost 1 in 5 young people in Barrhead live in workless households, and 8.6% of 0-19 year olds in East Renfrewshire live in poverty.

General Practitioner Health Referral Programme

4.49 655 people participated in the GP referral programme 'Live Active' in 2018/19, against an NHS target of 560. In 2017/18, 606 people participated in the programme. Demand is increasing as the population ages for these types of specialist interventions.

4.50 Information has been provided in the earlier paragraphs of this section which gives the reader a sense of the performance of the Trust since it was formed in 2015. In the following section covering 'Governance' evidence is provided of the ongoing contribution which the Trust makes to Council goals and community planning outcomes, including exploring the scope to make more explicit, some of the wider contributions which the Trust is expected to make. The relationships between the Trust and the Council are also examined in more detail.

Recommendation:

To welcome the contribution which the Trust is continuing to make towards improving health and wellbeing across the East Renfrewshire community since 2015, subject to ongoing analysis to compare information on performance to the outcomes of the Community Plan, Fairer East Ren, and the Council's Outcome Delivery Plan.

Scope Item 3. Governance

Review the legal agreement between the Council and the Trust having regard to:

Suitability of the Trust model to deliver (1) efficiency savings in line with Council annual targets, and (2) annual savings on Non-Domestic rates and VAT, in accordance with original objectives;

Financial Management and Savings

4.51 When the Trust was formed in 2015, it was agreed that the Council would pay an annual management fee to the Trust, with the Trust's budget being made up of this fee, its earned income, plus any external funding it managed to source. The transfer of services from the Council to the Trust was designed to generate savings in NDR and VAT, accepting at the same time, there will be some additional recurring costs. Expected net savings were £420k. The transfer of budgets to the Trust occurred on 02/07/15, i.e. part-way through the financial year, and the Trust received a proportion of the full year budget, on which the targeted savings (£242k) had already been removed.

4.52 The revenue budget for 2016/17 reflected total savings of £798k, which included a saving in relation to NDR and VAT less recurring costs arising from the operation of the Trust, equating to a net saving of £420k. The balance of savings for the transferring services had previously been identified as part of the Council's three year budget-setting process. These were summarised in the Trust Business Plan. The Trust was given an opportunity to bring forward alternative proposals for achieving the same level of reductions, e.g. through increased efficiencies and income generation.

4.53 In the financial year 2017/18, identified savings of £271k, which had also been approved as part of the Council's three-year budgeting cycle 2015/16 - 2017/18, were applied to the service fee along with an additional £97k of savings which were required to ensure the Council had a balanced budget position. The Council, in partnership with the Trust, commissioned an independent finance and business review from Solace-in-Business (SiB) to review the performance of the Trust to date, in the light of a forecasted deficit of £225k. The joint Trust/Council action plan is still being implemented, and is overseen by the Director of Education, the Trust's Board and its Chief Executive. One of the key recommendations from the SiB review was that the Council should provide additional funding to the Trust.

4.54 The Trust operated within budget in 2018/19, following additional budgeted support from the Council, which was provided in part through deferring the planned savings of £110k and also in the form of additional one-off investment funding of £239k for that financial year to assist the Trust with the implementation of the SiB review recommendations.

4.55 In 2019/20, following additional budgeted support from the Council of £200k, it was decided not to take the approved savings of £110k for that year, and nor would the deferred savings be taken from the previous financial year. The decisions which were taken regarding the planned savings for 2018/19 and 2019/20, were made to give the Trust the best opportunity to improve its financial position going forward, and taking into account the increasingly competitive commercial environment in which it operates. Commendably, the Trust delivered £420k of net base savings on NDR and VAT during the agreed three year budgeting period since 2016/17.

4.56 For the 2020/21 financial year savings of £110k approved as part of the three-year cycle 2018/19-2020/21, and additional savings of £101k were included following decisions taken by the Council on its 2020/21 budget in late February 2020, making a revised savings target of £211k.

Additional budgeted support of £200k given in 2019/20 has been removed from the 2020/21 service fee. Progress monitoring on the performance of the Trust in meeting the savings targets for the 2020/21 financial year, will take place jointly by both organisations.

4.57 The Trust self-evaluates its performance, and in partnership with the Council reviews areas identified for improvement through its business planning processes, in particular addressing the sustainability of trading activities. Where the Trust has experienced loss of income due to closure of facilities, the Council has provided compensation, subject to consideration of supporting evidence. It was noted that an opportunity will become available for the Trust to market office space at The Foundry, Barrhead due to recent office relocations.

VAT

4.58 The Trust model allows the Trust to exempt from VAT a significant proportion of their sales which had previously been standard-rated under Council control. The downside of this is that VAT on purchases is no longer fully recoverable, and this creates a VAT cost for the Trust. Despite this irrecoverable VAT, the Trust has still achieved VAT savings of approximately £100-115k each year since 2015/16. This is in line with the best case position as set out in the report considered by the Council on 24 June 2015. The Trust is undertaking a VAT review with the aid of an external consultant, and has recently reached agreement with HMRC on the application of a further VAT Exemption on income generated from live theatre performances. The Cultural Exemption will increase ongoing VAT savings from 2019/20, and a 'one-off' backdated repayment of VAT going back four years, amounting to £66,000, has recently been received. The Trust is engaging on Stage 2 of their VAT review, and there could be potential for further savings by applying VAT exemptions to other income streams.

Recommendations:

To acknowledge the financial performance of the Trust in meeting savings targets on NDR and VAT since 2015/16, in line with the original objectives of the Trust when it was first established;

To recognise the work carried out by the Trust since 2015/16, and which is ongoing, to increase the resilience of its financial management, allowing the Trust to move forward with its business planning and improvement agendas, including the implementation of the Solace-in-Business review recommendations, following additional financial support from the Council;

To monitor closely, and on a joint basis by both organisations, the performance of the Trust in meeting its savings targets for the 2020/21 financial year (£211k), as agreed recently by the Council; and

To invite the Trust to market the vacant office space at The Foundry, Barrhead to maximise the commercial opportunity which this now presents.

Evidence of the ongoing contribution of the Trust to Council goals and community planning objectives, including exploring the scope to make more explicit some of the wider contributions which the Trust could be expected to make

4.59 The principal working document in the provision of services is the Business Plan for the Trust. This is prepared annually and following agreement by the Trust Board, is then submitted to the Council for consideration as part of the budget-setting process. On 18 December 2019, the Council approved the fifth annual Trust Business Plan (2020/21), which included clear direction that was in accordance with the Council's strategies and outcomes.

The Plan was supported by detailed operational plans which will deliver the Council's objectives under the Community Plan, Fairer East Ren Plan and Outcome Delivery Plan. These plans would then guide the work of the Trust and its staff to deliver high quality services to the residents and communities of East Renfrewshire. The Council confirmed the budget allocation to the Trust at the Council meeting held on 27 February 2020.

4.60 The Trust is actively involved in the Community Planning Partnership, and contributes to improved outcomes for East Renfrewshire residents. The Trust has a particular focus on the outcomes of the Community Plan concerning the strategic priority *Learning, Life and Work*, with support being provided for a range of activities which promote social inclusion. This involves: adult education; access to libraries and information services; GP referral schemes to help people recover from illness or inactivity; and holiday activity programmes (including meals), for children from disadvantaged backgrounds. Two specific areas where the Trust has successfully engaged with the East Renfrewshire community, in partnership with other organisations, are described below:

MacMillan Cancer Support

4.61 In January, 2019, the Trust launched a new partnership with Macmillan Cancer Support with the aim of improving opportunities to provide information and support for people affected by cancer. Macmillan East Ren was formed, and set out the following aims:

- To grow a body of trained volunteers to lead on delivery of activities;
- To provide people in East Renfrewshire with high quality information and support relating to cancer; and
- To support people affected by cancer in East Renfrewshire to become more physically active

These aims are being achieved through provision of weekly information and support drop-in sessions within libraries to have a 'cuppa and a chat' with volunteers, and also through the physical activity programme: *'Move More'*. These support people affected by cancer to build up their strength, coordination and confidence through a menu of different activities, each tailored to the individual's needs. All of the services are free at point of delivery, and are delivered by teams of inspiring volunteers who receive full in-house training to ensure that they are equipped to offer the correct and relevant help for each individual.

4.62 In year one, the project delivered the first Cancer Information and Support Service (CISS) at Clarkston library; created a physical activity programme for people affected by cancer; and recruited a skilled group of volunteers who are essential to the delivery of the service. A second CISS drop-in space was installed in late 2019 in the Foundry, Barrhead. This will open up opportunities to signpost and refer more people to appropriate support.

4.63 Plans for year two include growing the *'Move More'* project by adding more gentle movement classes, training walk leaders to create more Macmillan friendly walking groups, and to offer a circuit class, creating for some a progression from gentle movement, or acting as a bridge into mainstream fitness activities. The Trust website provides details of cancer information and support services, including helpful links.

Health for Heroes Programme

4.64 Following receipt of a letter in 2019 from an armed forces veteran to the Chief Executive of the Council, in which extra support was requested to help improve the mental health of veterans, the suggestion was discussed further with the Trust. Through the assistance of the Council's Veterans Support Adviser in consultation with the Trust, and the HSCP, a Health for Heroes programme was developed by the Trust which is believed to be the first of its kind to date in Scotland.

4.65 The programme is based on the concept that undertaking physical activity on a regular basis can help improve mental health, which it is widely accepted can be a major issue for many veterans returning to and coping with civilian life. Forty free gym memberships have been made available to veterans with mental health issues, who can be accompanied by a member of their family or a friend. Following the launch of the programme in the autumn 2019, and after initial assessment of potential participants, more than 50% of the places have been filled. There is also the possibility of veterans undertaking coaching qualifications, and accessing employment opportunities through the Trust.

4.66 A Live Active Project, which is managed by the HSCP, is linked to the Health for Heroes programme through the provision of additional professional advice on exercise, dieting, losing weight, coping strategies etc. A breakfast club has also been launched in association with the Health for Heroes programme the first session of which was held on 12 February 2020, which was well-attended. The initial results which are being generated from the Health for Heroes Programme are very positive, which includes constructive feedback received from participants. The Trust is now considering ways in which the programme concept can be disseminated more widely to other local authorities and leisure/cultural trusts.

Recommendation:

To acknowledge the work of the Trust being carried out to promote a range of opportunities for groups and individuals to access the services of the Trust, to help improve their life circumstances.

The agility of the Trust model to deliver transformational change across Trust facilities and services, and whether or not the Trust is best served by Council support services in this regard, such as Property and Technical Services

Service Level Agreements

4.67 A separate Support Services Specification was agreed when the Trust was established in 2015, and included individual SLAs for the services that the Council will provide to the Trust. It was agreed from the outset that a joint review process would be undertaken for the revision of the SLAs. The Head of Education Service (Quality Improvement and Performance), on behalf of the Director of Education, writes to the various services on an annual basis to gather views on past performance and current developments.

4.68 The SiB report in 2018, contained a specific recommendation that the SLAs needed to be reviewed and reset, to ensure the levels of service and information which Council services provide to the Trust could meet its developing business needs. Work on reviewing the SLAs started in 2018, and is at an advanced level in relation to some of the key functions: Property and Technical Services, certain Finance functions, and Information and Communication Technologies (ICT). An overview of these SLAs is provided in the sections below. Deadlines should now be set for these discussions to be completed, and the new SLAs signed-off.

4.69 The SLAs for Communications, and Health and Safety Services, were discontinued by the Trust in 2018/19, although the Health and Safety SLA was reinstated to a limited degree in July 2019. Although the Trust has put in place its own arrangements for delivery of Communications, and most of its health and safety requirements, the Council remains open to discussions on the possibility of both of these services returning to being provided by the Council. Good relationships exist between the Trust senior management and the Council's Head of HR and Corporate Services, with discussions set to continue in the coming months regarding the Human Resources SLA, following the revised case management business model which was introduced recently by the Council.

It is not the intention of this review to re-visit the work of the SiB regarding the SLAs, which put in motion a series of improvement measures which are still underway. Instead, a general assessment of the SLAs has been undertaken, taking into account views given by the Council and the Trust, and looking at examples from elsewhere, leading to the formation of the recommendations shown below.

Recommendations:

To refresh the wording of the Support Services Specification to ensure that: a shared vision is maintained continuously between the Council's and the Trust's strategies, including Community Planning/Fairer East Ren outcomes; that they retain the flexibility to respond to the changing needs of customers; and generally, they reflect current thinking on 'best value';

To confirm that the Service Level Agreements have, in the main, worked well and are fit for purpose in terms of the original Services Agreement. They set out the services which the Council will deliver, and provide a mechanism for regular review and discussion, including arrangements for dispute resolution, recognising that there can be tension at times between the Council's model for delivery of the services specified, including stated response timescales, to be set against the needs of the Trust as a commercial organisation;

To note the steps which the Council is taking to address the gaps identified on response times, particularly with property repairs and ICT services, through ongoing discussions on the revision of these particular Service Level Agreements, and provision of additional support;

To consider the setting of dates to be agreed by the Council and the Trust, by when each of the Service Level Agreements which are currently being reviewed, will be completed, to allow new arrangements to be introduced; and

To note that where SLAs have been discontinued or are operating in a limited way, for example with Communications, and Health and Safety Services, the Trust is required to demonstrate each year that best value is continuing to be achieved for the funding which it receives.

Property and Technical Services SLA

4.70 The Management Agreement contains arrangements for the maintenance of the buildings licensed to the Trust. The Council retained responsibility for the maintenance of these buildings and continues to hold the maintenance budget. The Trust has the obligation to report any maintenance issues and to operate in such a way as to protect the Council's assets. The Council's Property and Technical Services (PaTS) have a fundamental obligation to maintain properties in a wind and watertight condition, and to ensure they do not pose any risk to the safety of staff or public. Non-emergency repairs and maintenance are carried out depending upon availability of the existing budget. Major maintenance issues or proposals are contained in the Trust's annual Business Plan.

4.71 Communications and working relationships between both organisations were found to be positive, and based on mutual respect. Trust managers were appreciative of the quality of work carried out, however there is ongoing tension concerning the limited availability of budget to carry out repairs and maintenance, and the speed at which this then happens. Undoubtedly, this can have a direct impact on the ability of the Trust to deliver front-line services. Given the limited level of revenue budget, and with the need to avoid any overspend, it is imperative best value is achieved. To this end, small non-essential repairs and maintenance items have been compiled into a package of works to be undertaken by a term contractor, working to specified response times, recognising however this may not always suit the operational needs of the Trust.

4.72 The PaTS SLA review was presented to the Trust Board in June 2019, following which, discussions have continued between both organisations on how service provision can be enhanced. In recognition of the pressure which the Trust is facing, the Council during 2019/20 established a 'Building Enhancement Fund' of £150k, which is available for the Trust to allocate against capital works, in conjunction with the Community Facilities Improvement Fund of £100k, giving a total of £250k. This combined fund allocation will reduce to £200k per annum as of 2021/22. Due to the need to develop costed briefs for works in 2019/20, the combined fund has only been part-used. The unspent allocation will however roll-over to the 2020/21 financial year, when some of the fund will have to be used for major renewal projects. Part of the fund was used in 2019/20 to address external works at Neilston Leisure Centre, and flooring at Eastwood Leisure Centre. Further ways in which the Council can help the Trust in relation to general maintenance are also currently being explored.

4.73 The Trust has the option to submit proposals for consideration against the Council's capital programme, subject to these being sponsored by a Council department. Bids will be evaluated along with all other proposals from Council departments, and decisions taken when the capital programme is discussed and agreed. The Council accepts that some of the buildings are approaching the end of their lifecycle, and to meet some of the future needs, provision has been made in the capital programme for new leisure centres in Eastwood Park, and at the Neilston Learning Campus. Significant funding has also been provided by the Council to upgrade the swimming pool, gym, and related facilities at the Foundry complex, Barrhead.

Recommendation:

To note that the review of the Property and Technical Services Service Level Agreement is ongoing, and that the Council is looking at ways in which additional support can be provided to the Trust, including the future joint assessment of the impact of the Building Enhancement Fund by both the Council and the Trust.

Finance SLA

4.74 In relation to the finance-related SLAs covering Accountancy and Treasury Management, work is ongoing to review these through discussions between the Trust's Director of Finance, and the Council's Finance Business Partner. Budget development work has been based on the Council's three-year budget cycle and the use of estimates, which at times has not always been compatible with the mid to longer term requirements of the Trust, operating as a commercially operating company. The SiB report acknowledges this point, and included a recommendation for Trust to perform more mid to longer term planning.

4.75 The Trust's Director of Finance will undertake a gap analysis in 2020/21 to identify any financial service requirements which are outwith the scope of the current SLA. Discussions on these items will take place at the regular meetings referred to above, and with the respective Council manager. A report will also be prepared by the Trust Director of Finance, explaining the rationale for each of these requirements and the impact of any shortfall in service for consideration by the Trust Audit Committee, and the Trust Board. The Trust as a matter of course considers the business case, including risks, for any new ventures.

4.76 A new general ledger is now in place, and further development has been programmed for the 2020/21 financial year, which should support full inter-company accounting, enabling production of balance sheets as required. There are a number of supporting processes which are being worked on with the Council, which aim to reduce the number of transactions being posted to suspense/control accounts, leading to production of more up to date balance sheets. This will improve the quality and timing of the information available.

4.77 In 2019/20, the Trust produced a three-year budgeting programme, and would like to be in a position to roll this model forward each year to give a better sense of direction including mid to longer term targets for the business, enabling them in particular to put in place plans to deliver the required income growth. This model would allow for better planning of operational efficiencies/restructures where the Trust is required to make savings, and will provide a more sustainable and manageable business model. This would also lead to improved understanding of the long term drivers of the business, enabling more informed decision making and better overall financial management.

4.78 The main drawback to working with a three-year budgeting model, centres on the need for the Council to predict the service fee for each particular year, which amounts to 50% of income, and is subject to a variety of external factors which are outwith the Council's control. The Trust also has to plan for how it will achieve its income targets. However, the concept of three-year budgeting for the Trust is based on sound principles, and is supported by the Head of Accountancy and the Finance Business Partner from the Council, accepting of course, that the financial content will be based on predictions rather than confirmed amounts. The Council uses three year financial planning cycles too, particularly in relation to savings targets for the Trust, which should lead to shared and improved understanding of both organisations' needs.

Recommendations:

To note that work is ongoing to review the Service Level Agreements in relation to Accountancy and Treasury Management, involving joint discussions on a regular basis between the Finance Business Partner (Council), and the Director of Finance (Trust); and

To support the further development of improved financial planning for the Trust, based upon collaborative three-year budgeting, involving closer alignment with the three-year model currently being used by the Council, with particular regard to savings projections; income growth; improved mid to longer term planning, and more collaborative sharing of information in relation to the service fee.

Information and Communication Technology Services SLA

4.79 The Trust's operations cover a timespan when they are open to the public which starts from before the Council goes 'live' each working day at around 8.45 AM, continues after the Council offices generally close to the public at 4.45 PM, and carries on over weekends too. ICT systems support from the Council is generally provided, excepting emergencies, during standard times when the Council offices are open to the public, which does not include weekends. The Trust is therefore reliant on ICT systems for extended periods when support from the Council may not be available, which can cause problems for the Trust particularly in the areas of cash handling, bookings, customers' records, and the impact which this can have for its commercial integrity and reputation. The Council and the Trust are currently discussing the potential for solutions being found to address the points raised above, within a revised ICT Services SLA.

Recommendation:

To note that discussions are ongoing between the Council and the Trust to revise the Information and Communication Technology Services Service Level Agreement, to better reflect the business needs of the Trust.

Scope Item 4.**Joint Working between the Council and Core Activities of the Trust**

Consider opportunities for further collaboration between the Council, HSCP and the Trust which have the potential to provide improved services and outcomes for the residents of East Renfrewshire, and which should be considered in more detail in the future

4.80 During the course of the review, a range of areas were explored where the Trust and the Council were working closely for the benefit of the residents of East Renfrewshire, and these have been analysed in greater detail elsewhere in this report.

4.81 The Council considers annually, the Trust End Year report, which covers the important area of performance, and is based upon the indicators and activities contained in the Outcome Delivery Plan (Council), and the Trust's annual business plan. The business plan is also considered for approval by the Council each year, with emphasis placed by the Director of Education on the strategic aims of the Trust, including its contributions to the Community Planning Partnership. There is clear evidence of closer alignment of the respective strategies of both organisations, as shown in the joint working arrangements agreed recently for the provision of a new leisure centre and theatre in Eastwood Park. It was noted the Leader of the Council and the Chair of the Trust Board have recently established an informal mechanism for regular dialogue.

4.82 As detailed in the previous section concerning the SLAs, there are established mechanisms for reviewing performance on a regular basis between both organisations, and for agreeing joint improvement plans. Linked to this, a recommendation has been included in this report to consider taking the opportunity to refresh the wording of the SLAs, to enable a shared vision to be maintained between the Council and the Trust strategies, including Community Planning outcomes, and crucially, that they retain the flexibility to respond to the changing needs of customers.

4.83 The Trust and the Education Department of the Council have assessed the national and international research into improving educational outcomes through participation in sport and physical activity. The Trust is committed to the equity aims of the Education Department in providing additional support so some pupils can access the activities that most take for granted and as a result helping to close the attainment gap. The Trust has worked with schools and the Education Department over the last few years to develop a sophisticated monitoring and tracking system in each school. Pupil participation in school-based clubs and activities including local community participation is recorded and tracked. Highlighted inactive pupils or targeted pupils such as those who are care experienced or those who are disadvantaged backgrounds are given priority places on extra-curricular programmes. These pupils are supported so they can develop the skills and competencies associated with participation in these types of activities.

4.84 The Trust works in partnership with the HSCP to deliver the 'For Your Entertainment Scheme' (FYE) as part of its Corporate Parenting responsibilities. All children and young people in East Renfrewshire who are supported by Social Work Services are entitled to free access to the Trust's sport, leisure and cultural activities through the FYE Scheme. All care experienced pupils are automatically enrolled and a Plus One element of the scheme for these pupils has been developed so they can come with a friend or family member. Participation in these types of activities is vital to the development of the whole child and the FYE scheme is a core part of East Renfrewshire's targeted approach. Progress of the scheme is reported to the Health and Wellbeing Champions Group of the Council on a quarterly basis.

4.85 The Vitality programme is a very successful partnership between NHS GG&C Health Board and the Trust. Part funded by NHS and delivered by the Trust, the programme provides group exercise classes for local people who are living with medical conditions, such as Parkinson's, MS, Stroke, Cardiac Conditions, Osteoporosis, Cognitive impairments and COPD. It gives participants the opportunity to safely look after their physical and mental health and be socially connected. With 15,500 attendances in 2018/19 and almost 8,000 attendances in the first two quarters of 2019/20, Vitality continues to grow. There has been an 11% increase overall in participation; and a 42% increase in the strength and balance classes, which cater for the most frail. There are around 800 regular participants, 37% of whom have been part of the Vitality programme for over 2 years. The programme continues to be a key part of continuing care of the population in East Renfrewshire who require additional support to lead active lives. The Trust has recently invested in training more staff to lead Vitality classes as they remain committed to meeting the needs of the area's ageing residents.

4.86 Examples have been provided earlier in this report where help has been given by the Trust to disadvantaged groups or people in the community, to engage with sport or cultural activities, including: the Health for Heroes programme which includes support from the Council and HSCP; working with HSCP and medical centres to include physical exercise as part of patient recovery plans; working with the Education Department to provide free places on activity programmes for children from disadvantaged backgrounds during school holidays; understanding and responding to the needs of BAME communities within East Renfrewshire; and providing theatre events workshop with support for the hearing impaired, and families with ASN.

4.87 Regarding the potential for integrating bookings of the Council's sports pitches and the Trust's pavilions, which is currently a shared operation between both organisations, it is acknowledged this is not an ideal situation for customers as a single point of contact is not currently available. It is accepted by both organisations the service to customers could be improved.

Recommendations:

To note the existing arrangements which are in place involving joint working between East Renfrewshire Council; East Renfrewshire Culture and Leisure Trust; and the Health and Social Care Partnership, to contribute to the delivery of improved outcomes for East Renfrewshire residents, within the Outcome Delivery Plan, Community Plan, and Fairer East Ren; and

To explore further, the issue of dual booking arrangements for sports pitches and pavilions, involving joint discussions between the Council and the Trust, including clarification of the maintenance and support costs of providing the current services.

Scope Item 5.**Value for Money**

Consider evidence of value for money being achieved by both the Council and the Trust, including within the individual SLAs for delivery of core services.

4.88 Evaluating whether or not the Council and the Trust are receiving value for money for the delivery of core services is a difficult task to undertake, due to the broadness of the scope of this review, and the potential for subjective assessments being made which can be narrow in focus, and perhaps fail to take into account overall performance. Taking account of customers' views and how these have been responded to, is also an essential part of any evaluation too. The approach used in this review to assess the extent of 'value for money' being achieved, and takes account of certain established facts about some key operations of the Trust. It should be recognised however, the assessments provided below, do not take account of every aspect of the Trust's operations.

Financial Management

4.89 The Trust delivered savings of £242k in year one of its operation, and has achieved net base savings on NDR and VAT of approximately £420k during the three year target period since 2016/17. The savings on NDR are essentially fixed due to the structure of the Trust when it was established as a charitable organisation in 2015/16. Savings in VAT requires a certain amount of management and interpretation of current rules by the Trust, which it has achieved successfully each year since 2015/16. The Council has continued to provide financial support to the Trust in different ways, in particular to allow the Trust to implement the recommendations from the SiB review, allowing it to develop more fully its commercial objectives.

Assessment: The Trust is meeting its savings targets, in accordance with the original objectives when the Trust was established in 2015/16, demonstrating sound, and resilient financial management practices, including improved financial planning through three-year budgeting. Only through establishment of sound financial stewardship, and sustainable business modelling, can opportunities then be considered by the Trust Board to implement and improve the experience of customers, meet the shared Community Planning objectives, and provide services which represent value for money to all parties concerned.

Customer Responsiveness and Value for Money

4.90 Taking account of customers' views and to compete with other service providers in the private sector, the Trust Board acted decisively in recently approving earlier opening hours of leisure centres with effect from January 2020. Coupled with a marketing campaign to attract new members and retain existing ones, which included a new and reduced pricing policy, this has positioned the Trust better than before in being able to offer some of the cheapest gym membership options of leisure and cultural trusts in Scotland.

Assessment: The Trust Board acted decisively in approving the move to earlier opening hours of leisure centres, and a revised pricing policy. This move comes with some financial risk, and will be assessed by the Board in due course, however, initial results from these moves look to be positive regarding new members joining and retention of existing ones.

Community Planning and Fairer East Ren Objectives

4.91 Establishing the Trust's role at the heart of East Renfrewshire's communities is a strategic objective. The Trust Board since its inception, has increasingly prioritised the implementation of a number of initiatives which are aimed at providing opportunities for involvement in sporting and cultural activities for citizens with health issues, and marginalised individuals and groups in the East Renfrewshire community.

Assessment: The Trust Board, its senior management, and its staff are to be commended for the excellent work which they are carrying out on social inclusion and improving engagement opportunities for citizens. This demonstrates a responsible and caring approach in the use of the Trust's finances to represent all parts of the community, in meeting the Outcome Delivery Plan; Community Plan; and Fairer East Ren objectives of improving the quality of life for citizens.

Performance

4.92 The Trust is performing strongly in the performance of its services for arts, sports, libraries and community facilities, and against the Council's Outcome Development Plan indicators. Fuller details are provided in the Trust End-year report for 2018/19 which was approved by the Cabinet on 29 August 2019, and in the Trust's Annual Business Plan 2020/21, which was approved by the Council in December 2019.

Assessment: The Trust has put in place robust systems for monitoring and reviewing performance at Board and service levels, using a balanced scorecard approach. Business improvement plans are prepared each year by the Trust to modernise services and to reflect customers' needs, which are considered for approval by the Council each year.

5. CONCLUSION

5.1 The guiding principle in the establishment of the Trust in 2015, was for it to succeed. This basic, but fundamental, premise has underpinned the Council's approach to supporting the Trust in a number of ways since then. This included deferring savings targets in 2018/19 and 2019/20 enabling the Trust to implement recommendations from the SiB review, and compensation being given when the Trust suffers loss of income due to closure of facilities.

5.2 The Council made additional funding available to the Trust through the provision of a Building Enhancement Fund in 2019/20, and 2020/21, to undertake capital works to the properties which it manages, amounting to £150k each year. The work to modernise pool plant, or to provide live-streaming capability in Eastwood Theatre, are examples of collaborative capital planning to improve the services, increase revenues or financial returns, whilst improving the estate.

5.3 Arguably, the financial support provided to the Trust by the Council, is reasonable and proportionate given the original objective to support the Trust. By setting up the Trust, the expected savings on NDR and VAT have been achieved. Through work by the Trust, additional VAT savings are likely to be achieved, however, all Councils in Scotland are working to very tight financial constraints with significant reductions in budgets in real terms over many years, limiting the extent of financial support which the Council can provide to the Trust.

5.4 There is an expectation from the Council, and more recently from the SiB review, that the Trust acts in an increasingly commercial manner, and this can be challenging, given the environment in which the Trust operates in competition with the private sector, the buildings and facilities it operates, and some of the constraints upon it. Two interesting developments have emerged during the review in relation to the Trust's commercial focus:

- 1 First, the Trust Board and senior management have shown strategic leadership in responding to customers' views, by introducing new opening hours for the leisure centres since January 2020. This, coupled with a marketing campaign to attract new members and retain existing ones, has proved on initial findings to be a success. The commercial viability of the move to earlier opening hours has, though, still be assessed fully; and
- 2 Second, the Trust Board and senior management have gone to great lengths to develop social inclusion in East Renfrewshire, involving partnership working, and importantly, they have prioritised this on occasion above commercial interests. This is a considerate approach to meeting Community Planning outcomes, and examples of these interventions have been provided throughout the report.

5.5 The importance of good relationships between the Council and the Trust cannot be over-emphasised, and this is especially so between the Trust Board and the Council's Elected Members. Experiences from elsewhere have shown where relationships have fragmented, or financial management has not been to the required standards of stewardship, this can be to the detriment of all concerned, and especially the local community. In some cases the respective Trust has returned to Council control, or the entire governance structure has been re-defined to ensure, in future, an early-warning system is in place to address any issues.

5.6 Based on the evidence provided, the relationship in East Renfrewshire between the Trust Board and the Council is very positive, and is developing stronger roots, founded upon mutual respect and understanding. This forecast is based on the examples of joint activities, and discussions, which are taking place between both organisations on a wide range of areas, and at different levels, which include:

- the continued implementation of a shared action plan, following the SiB review in 2018;
- ongoing discussions to redefine certain SLAs;
- the shared strategic vision of both organisations which is reflected in the Trust Business Plan 2020/21, including the joint working arrangements which have been agreed recently for the proposed new Eastwood Leisure Centre and Theatre; and
- informal meetings which are taking place between the Leader of the Council and the Chair of the Trust to discuss strategic issues.

5.7 The Management Agreement which was adopted in 2015, lays out the services that the Trust will provide. A key point here is that the Trust is expected to take a fresh look at the services delivered, introducing improvements to existing services as well as new services or developments. The Trust has been reported by the Head of Education Services to be generally proactive in developing opportunities where it can work together with the Council, so that the direction of both bodies complement each other. For their part, under the Management Agreement, the Trust has to continue to demonstrate best value is being obtained from the funding provided by the Council.

5.8 In relation to services delivered by the Trust, strong performance levels continue to be recorded in arts, sports, libraries and community facilities, and these are reported to the Council through the End-Year report which is considered by the Cabinet each autumn. The Trust Board has a robust business improvement programme, and this is documented in the Trust Annual Business Plan, the latest of which for 2020/21 was approved by the Council on 18 December 2019.

5.9 There was evidence of good relationships amongst Trust staff, and strong levels of support for each other. There was positive identification with the Trust as a body, and above all, there was commitment to make the Trust a success, which was also true from the Council's perspective. A participative management style is being adopted by the Trust senior management team, through the direction of the Trust Board. Notably, and with direct links to these observations, the Trust has invested in its staff, especially in the areas of training, creative development, and business development.

5.10 There are several areas for improvement to be worked on however, including revisions to the SLAs to reflect the need for stronger ties to be stated for closer alignment of the strategic goals of both organisations, and for discussions to commence on the joint booking arrangements for sports pitches and pavilions, which is not particularly customer-focused. Early conclusion is recommended of SLAs which are currently under review.

5.11 The Articles of Association for the Trust define its charitable purposes as: the advancement of education; the advancement of the arts, heritage or culture; the advancement of public participation in sport; and the provision of recreational facilities, or the organisation of recreational activities. These have the object of improving the condition of life for the persons for whom the facilities or activities are primarily intended. Collectively, these goals are continuing to be met through support from the Council; the strategic direction of the Trust Board and its senior management; and delivered by a well-trained and committed workforce, including the pursuit of the Trust's vision to be the *'highest performing Leisure Trust in Scotland'*.

Acknowledgement

The author extends his thanks to the Chair of the East Renfrewshire Culture and Leisure Trust Board, to the staff of the Trust, and to the Chief Executive, Director of Education, and staff of East Renfrewshire Council for the valuable assistance which was afforded to him in the undertaking of this review.

RECOMMENDATIONS

It is proposed that the Trust and the Council consider the following recommendations:

1. To note the constructive joint working arrangements which were agreed in December 2019, involving the Council and the Trust, for the provision of a new leisure centre and theatre in Eastwood Park, including the Eastwood Park Masterplan;
2. To agree that the Council and the Trust implement the revised procedures from the Model Complaints Handling Procedures within a timescale to be discussed and agreed jointly, through existing consultative arrangements for complaints handling;
3. To acknowledge the continued growth of participation rates in sports development, including grassroots expansion, which has been achieved since the Trust's inception in 2015;
4. To recognise the sustained performance of Libraries and Information Services in the top quartile of Leisure Trusts in Scotland, for book issues, physical and virtual visits, and active borrowers, based on CIPFA data;
5. To explore opportunities for further commercial development of the halls and community facilities, and school lettings, through joint discussions between the Trust and the Council, to include: alternative business models; events coordination/development; investment in new equipment; more theatre outreach work; extending school lettings periods; and installation of WiFi;
6. To invite the Trust, later in 2020/21, to undertake financial and performance analysis of the move to earlier opening hours of facilities, and the introduction of a revised membership pricing policy;
7. To welcome the contribution which the Trust is continuing to make towards improving health and wellbeing outcomes across the East Renfrewshire community since 2015, subject to ongoing analysis to compare information on performance to the outcomes of the Community Plan, Fairer East Ren, and the Council's Outcome Delivery Plan;
8. To acknowledge the financial performance of the Trust in meeting savings targets on NDR and VAT since 2015/16, in line with the original objectives of the Trust when it was first established;
9. To recognise the work carried out by the Trust since 2015/16, and which is ongoing, to increase the resilience of its financial management, allowing the Trust to move forward with its business planning and improvement agendas, including the implementation of the Solace-in-Business review recommendations, following additional financial support from the Council;
10. To monitor closely, and on a joint basis by both organisations, the performance of the Trust in meeting its savings targets for the 2020/21 financial year (£211k), as agreed recently by the Council;
11. To invite the Trust to market the vacant office space at The Foundry, Barrhead to maximise the commercial opportunity which this now presents;

12. To acknowledge the work of the Trust which is being carried out to promote a range of opportunities for groups and individuals to access the services of the Trust, to help improve their life circumstances;
13. To refresh the wording of the Support Services Specification to ensure that: a shared vision is maintained continuously between the Council's and the Trust's strategies, including Community Planning/Fairer East Ren outcomes; that they retain the flexibility to respond to the changing needs of customers; and generally, they reflect current thinking on 'best value';
14. To confirm that the Service Level Agreements have, in the main, worked well and are fit for purpose in terms of the original Support Services Specification. They set out the services which the Council will deliver, and provide a mechanism for regular review and discussion, including arrangements for dispute resolution, recognising that there can be tension at times between the Council's model for delivery of the services specified, including stated response timescales, to be set against the needs of the Trust as a commercial organisation;
15. To note the steps which the Council is taking to address the gaps identified on response times, particularly with property repairs and ICT services, through ongoing discussions on the revision of these particular Service Level Agreements, and provision of additional support;
16. To consider the setting of dates to be agreed by the Council and the Trust, by when each of the Service Level Agreements which are currently being reviewed will be completed, to allow new arrangements to be introduced;
17. To note that where Service Level Agreements have been discontinued or are operating in a limited way, for example with Communications, and Health and Safety Services, the Trust is required to demonstrate each year that best value is continuing to be achieved for the funding which it receives;
18. To note the review of the Property and Technical Services Service Level Agreement is ongoing, and that the Council is looking at ways in which additional support can be provided to the Trust, including the future joint assessment of the impact of the Building Enhancement Fund by both the Council and the Trust;
19. To note that work is ongoing to review the Service Level Agreements in relation to Accountancy and Treasury Management, involving joint discussions on a regular basis between the Finance Business Partner (Council), and the Director of Finance (Trust);
20. To support the further development of improved financial planning for the Trust, based upon collaborative three-year budgeting, involving closer alignment with the three-year model currently being used by the Council, with particular regard to savings projections; income growth; improved mid to longer term planning, and more collaborative sharing of information in relation to the service fee;
21. To note that discussions are ongoing between the Council and the Trust to revise the ICT Services Service Level Agreement, to better reflect the business needs of the Trust;

22. To note the existing arrangements which are in place involving joint working between East Renfrewshire Council; East Renfrewshire Culture and Leisure Trust; and the Health and Social Care Partnership, to contribute to the delivery of improved outcomes for East Renfrewshire residents, within the Outcome Delivery Plan; Community Plan and Fairer East Ren; and
23. To explore further, the issue of dual booking arrangements for sports pitches and pavilions, involving joint discussions between the Council and the Trust, including clarification of the maintenance and support costs of providing the current services.

APPENDIX 2

List of Interviews, Meetings and Visits

| Date | Location | Attending |
|-------------|--|---|
| 11.11.19 | The Foundry, Barrhead | Trust: Head of Operations Trust: Venue Manager |
| 15.11.19 | Mearns Primary School | Trust: Head of Sport and Physical Activity |
| 20.11.19 | Council Headquarters | Council: Finance Business Partner (Education) |
| 26.11.19 | Williamwood High School | Trust: Support Services Manager |
| 27.11.19 | Council Headquarters | Council: Policy and Improvement Officer |
| 2.12.19 | Clarkston Hall | Trust: Head of Community and Arts Trust: Support Services Manager |
| 2.12.19 | Clarkston Library | Trust: Head of Library and Information Services |
| 3.12.19 | Carmichael Hall and Eastwood Park Theatre | Trust: Head of Community and Arts Trust: Performing Arts Development Officer |
| 4.12.19 | Mearns Community Library | Trust: Head of Library and Information Services |
| 4.12.19 | Council Headquarters | Council: Head of HR and Corporate Services |
| 9.12.19 | Council Headquarters | Council: Strategic Services Senior Lead Council: Partnerships Team Leader |
| 16.12.19 | St John's Annexe, Barrhead | Trust: Chief Executive |
| 28.1.20 | St John's Annexe, Barrhead | Trust: Performance Quality Coordinator |
| 28.1.20 | St John's Annexe, Barrhead | Trust: Director of Finance |
| 28.1.20 | St John's Annexe, Barrhead | Trust: Marketing Officer |
| 29.1.20 | Council Headquarters | Council: Head of Digital and Community Safety |
| 3.2.20 | Council Headquarters | Council: VAT/PFI Officer |
| 4.2.20 | Council Offices, Barrhead | Council: Head of Education Services (Quality Improvement and Performance) |
| 13.2.20 | Council Headquarters | Council: Veterans Support Advisor |
| 28.2.20 | Council Headquarters | Council: Communications Manager |
| 28.2.20 | Telephone interview | Trust: Chair of the Trust Board |

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|--------|---------------------|--|
| 2.3.20 | Telephone interview | Council: Principal Officer (Property and Asset Management) |
| 4.3.20 | Telephone interview | Council: Health and Safety Manager |

EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

25 June 2020

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – NHS IN SCOTLAND

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report *NHS in Scotland*.

RECOMMENDATION

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

BACKGROUND

3. A copy of the Audit Scotland report [NHS in Scotland](#), published in October 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 were Provost Fletcher and Councillor Gilbert. Provost Fletcher has since resigned from the Committee. As the resulting vacancy on the committee remains to be filled, Councillor Gilbert is leading on this issue at present.

4. The Chief Officer, Health and Social Care Partnership, was asked to provide comments on the report and a copy of those comments is attached (see Appendix A). These are contained in a report that was prepared and published for a meeting of the Performance and Audit Committee of the Integration Joint Board which was scheduled to have taken place on 18 March 2020, but which was cancelled due to the current circumstances relating to COVID-19.

5. The feedback provided comments on both the *NHS in Scotland* report and a further one published by Audit Scotland on the *Local Government in Scotland Financial Overview 2018/19*. The later has already been the subject of a report by the Chief Financial Officer to the Audit and Scrutiny Committee on 12 March 2020.

RECOMMENDATION

6. 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 – *NHS in Scotland*

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| Meeting of East Renfrewshire Health and Social Care Partnership | Performance and Audit Committee |
| Held on | 18 March 2020 |
| Agenda Item | 8 |
| Title | Audit Scotland Reports: NHS in Scotland 2019 and Local Government in Scotland Financial Overview 2018/19 |
| <p>Summary</p> <p>This report provides the Performance and Audit Committee with an overview of the Audit Scotland Reports: <i>NHS in Scotland 2019</i> and <i>Local Government in Scotland Financial Overview 2018/19</i> and the implications for East Renfrewshire's Integration Joint Board.</p> <p>In their report <i>NHS in Scotland 2019</i> Audit Scotland point out that the current system faces increasing pressure from rising demand and costs and that so far, the pace of change to address this, particularly through the integration of health and social care, has been too slow. In order to support IJBs to make the required changes, the Scottish Government has published the <i>Health and Social Care: Medium-Term Financial Framework</i>, the <i>Waiting Times Improvement Plan</i> and has introduced a national leadership development project. Audit Scotland also note that The Scottish Government should work with NHS staff, partners and the public to develop its new strategy for health and social care as their ambitions within the 2020 Vision will not be achieved by 2020.</p> <p>In December 2019 Audit Scotland prepared their report <i>Local Government in Scotland Financial Overview 2018-19</i>; an independent, public assessment of how effectively Scottish local government is managing public money and responding to the financial challenges it faces. Again, they point out that the pace of progress with integration has been too slow and note that Integration Joint Boards continue to face very significant challenges and they need to do much more to address their financial sustainability.</p> | |
| Presented by | Julie Murray, Chief Officer |
| <p>Action Required</p> <p>Members of the Performance and Audit Committee are asked to note the report, the recommendations that relate to Integration Authorities and our local response.</p> | |

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EAST RENFREWSHIRE HEALTH AND SOCIAL CARE PARTNERSHIP**PERFORMANCE AND AUDIT COMMITTEE****18 March 2020****Report by Chief Officer****AUDIT SCOTLAND REPORTS – NHS IN SCOTLAND 2019 AND
LOCAL GOVERNMENT IN SCOTLAND FINANCIAL OVERVIEW 2018/19****PURPOSE OF REPORT**

1. This report provides the Performance and Audit Committee with an overview of the Audit Scotland Reports: *NHS in Scotland 2019* and *Local Government in Scotland Financial Overview 2018-19* and the implications for East Renfrewshire Integration Joint Board.

RECOMMENDATION

2. Members of the Performance and Audit Committee are asked to note the report, the recommendations that relate to Integration Authorities and our local response.

BACKGROUND

3. In October 2019 Audit Scotland published its report: *NHS in Scotland 2019*. This is the most recent of a series of annual audits of the NHS in Scotland. The report is brought to the attention of the Performance and Audit Committee because it contains a number of recommendations for Integration Joint Boards.
4. Their report *Local Government in Scotland Financial Overview 2018-19* was published in December 2019.

REPORT**NHS in Scotland 2019**

5. Over the years Audit Scotland has highlighted the growing pressures facing the NHS. These include a tight financial environment, continuing growth in demand for services, difficulties in recruiting staff, and rising public and political expectations. It points out that the demands of a growing and ageing population on top of these pressures mean the current healthcare delivery model is not sustainable.
6. The report illustrates that the NHS in Scotland is not currently in a financially sustainable position. There has been an increase in predicted deficits among NHS boards and an increasing reliance on additional financial support from the Scottish Government loans and one-off (non-recurring) savings. Whilst it welcomes the Scottish Government's recent health and social care medium-term financial framework and other measures, including the Waiting Times Improvement Plan, the report states that the ambitions set out in the Scottish Government's 2020 Vision will not be achieved by 2020.

7. The report finds that the pace of change, particularly through the integration of health and social care, has been too slow and calls for a new national health and social care strategy, stronger workforce planning, better information and data for performance reporting and planning, and better community involvement and engagement.
8. The key elements identified as critical to success are set out in its key messages below.
 - Health remains the single biggest area of government spending, at £13.4 billion in 2018/19. This was 42 per cent of the 2018/19 Scottish Government budget and is growing. The healthcare system faces increasing pressure from rising demand and costs, and it has difficulty meeting key waiting times standards. Without reform, the Scottish Government predicts that there could be a £1.8 billion shortfall in the projected funding for health and social care of £18.8 billion by 2023/24. So far, the pace of change to address this, particularly through the integration of health and social care, has been too slow.
 - The Scottish Government has started to put in place foundations to support boards make the changes required. These include the publication of the *Health and Social Care: Medium-Term Financial Framework*, the *Waiting Times Improvement Plan* and the introduction of a national leadership development project. The new requirement for NHS boards to develop three-year financial and performance plans enables them to more effectively plan how services will be delivered in the longer term. It is, however, too soon to assess the impact of these initiatives.
 - Despite the existing pressures, patient safety and experience of hospital care continue to improve. Drugs costs have stabilised, and we have seen examples of new and innovative ways of delivering healthcare that involve a range of partners. These aim to increase the care provided in the community and expand multidisciplinary working, to improve access to care and treatment.
 - Achieving financial sustainability remains a major challenge for NHS boards. There have been increases in predicted deficits and additional financial support provided by the Scottish Government, and a continued reliance on one-off savings. Capital funding from the Scottish Government has decreased by 63 per cent over the last decade and the level of backlog maintenance remains high, at £914 million. High-profile, newly-built hospitals have come under significant scrutiny because of health and safety concerns.
 - The ambitions within the Scottish Government's 2020 Vision will not be achieved by 2020. The Scottish Government should work with NHS staff, partners and the public to develop its new strategy for health and social care. It should set out priorities that support large-scale, system-wide reform to increase the pace of change. Collaborative leadership is needed to focus on better partnership working, staff engagement and promoting positive workplace behaviours. Staff are at the heart of the NHS and it is vital that more is done to support them so that they can care for people in a safe, fulfilling and respectful environment.
9. A number of the recommendations in the report are for Scottish Government in terms of financial management, governance and reporting. There are also recommendations for the Scottish Government in partnership with NHS Boards in relation to financial planning, leadership and workplace culture.
10. The four recommendations for Scottish Government, in partnership with NHS boards and integration authorities, are set out below.
 - develop a new national health and social care strategy to run from 2020 that supports large-scale, system-wide reform, with clear priorities that identify the improvement activities most likely to achieve the reform needed.

- develop and publish the national, integrated health and social care workforce plan and guidance, to inform future workforce planning (*published December 2019*).
- improve the quality and availability of data and information, particularly in primary and community care. This will allow better performance monitoring, inform service redesign and improve care coordination by enhancing how patient information is shared across health and social care services.
- incorporate the principles of the Community Empowerment Act within communication and engagement strategies.

11. Local actions taken in response to the recommendations are detailed in the appendix that accompanies the report.

Local Government in Scotland Financial Overview 2018-19

12. Audit Scotland published this report in December 2019 and whilst this report focussed on local government, it also included a section on Integration Joint Boards. The report noted that IJBs continue to face very significant challenges and they need to do much more to address their financial sustainability. The pace of progress with integration has been too slow and we have yet to see evidence of a significant shift in spending and services from hospitals to community and social care. I continue to be concerned about the significant turnover in senior staff in IJBs. This instability inevitably impacts on leadership capacity and the pace of progress. The Commission has a strong interest in the performance and development of IJBs and we are planning arrangements to review their progress in delivering Best Value for their communities.
13. East Renfrewshire Council took a report to its Audit and Scrutiny Committee on 12 March 2020 noting that overall East Renfrewshire is well placed in terms of addressing the issues facing Scottish Councils but will continue to face substantial financial challenges in future. The Chief Financial Officer for the IJB provided the following overview for East Renfrewshire Integration Joint Board, for inclusion in the Council report.
14. Part 4 of the report provides an overview of Integration Joint Boards for 2018/19 and the key messages along with East Renfrewshire's Health and Social Care Integration Joint Board (IJB) position are set out below:
15. Overall IJB budgets increased by 3%. East Renfrewshire IJB budget for 2018/19 (excluding grant funded and set aside) was £114.2m compared to the 2017/18 budget of £111.3m, so increased by 2.6%.
16. Nationally the budget gap reduced from 2.9% to 2.5%. For East Renfrewshire IJB the savings challenge in 2018/19 was £1m compared to £4.4m in 2017/18.
17. A majority of IJBs struggled to achieve break even and 19 would have been in deficit without additional funding from partners at year end. East Renfrewshire IJB ended the financial year with a modest underspend of £0.3m.
18. Around a third of the IJBs failed to agree a budget with their partners for the start of 2019/20; East Renfrewshire IJB agreed its budget on 20 March 2019 with budget contributions from both partners identified.
19. A focus on long term financial planning is required by IJBs to assist effective decision making; East Renfrewshire IJB agreed its Medium Term Financial Plan covering the period 2019/20 to 2023/24 at its meeting of 20 March 2019.

20. The projected funding gap in 2019/20 is estimated nationally at 2.5%; East Renfrewshire IJB savings target is 3.2% of the total partner contributions excluding set aside and grant funding.
21. Over a third of IJB senior staff have changed in 2018/19; East Renfrewshire IJB revised its structure from the top down, in order to achieve part of the 2017/18 savings. It was recently agreed that a senior post be added back to the structure in order to meet the capacity constraints and challenges faced by the HSCP.

CONCLUSIONS

22. The most recent Audit Scotland Report on the NHS in Scotland continues to point out that the current system is not sustainable. The report finds that the pace of change, particularly through the integration of health and social care, has been too slow and calls for a new national health and social care strategy from 2020. The report makes a number of recommendations some of which apply to Integration Authorities.

RECOMMENDATIONS

23. Members of the Performance and Audit Committee are asked to note the report, the recommendations that relate to Integration Authorities and our local response.

REPORT AUTHOR AND PERSON TO CONTACT

Steven Reid, Policy, Planning and Performance Manager
steven.reid@eastrenfrewshire.gov.uk

February 2020

Chief Officer, IJB: Julie Murray

BACKGROUND PAPERS

Audit Scotland Report: NHS in Scotland 2019
https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_191024_nhs_overview.pdf

PAC Paper – Nov 2018: Audit Scotland Report: NHS in Scotland 2018
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23478&p=0>

Audit Scotland Report: Local government in Scotland Financial Overview 2018/19
https://www.audit-scotland.gov.uk/uploads/docs/report/2019/nr_191217_local_government_finance.pdf

Audit & Scrutiny Committee Paper – March 2020: National External Audit Report – Local Government in Scotland Financial Overview 2018-19
<https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=26100&p=0>

Appendix 1

| Recommendation | Owner | Response |
|--|--|--|
| <ul style="list-style-type: none"> ▪ develop a new national health and social care strategy to run from 2020 that supports large-scale, system-wide reform, with clear priorities that identify the improvement activities most likely to achieve the reform needed | Scottish Government, in partnership with NHS boards and IJBs | IJB has input into SG and NHSGGC planning activity through HSCP Chief Officer. HSCP staff will support national strategic planning activity as required and provide updates on progress. |
| <ul style="list-style-type: none"> ▪ develop and publish the national, integrated health and social care workforce plan and guidance, to inform future workforce planning | Scottish Government, in partnership with NHS boards and IJBs | National Integrated Health and Social Care Workforce Plan and workforce planning guidance published 16 December 2019. Local working group established for development of a revised workforce plan that will fit with HSCP Strategic Plan, Fit for the Future and link to Council and NHSGGC workforce planning activity. |
| <ul style="list-style-type: none"> ▪ improve the quality and availability of data and information, particularly in primary and community care. This will allow better performance monitoring, inform service redesign and improve care coordination by enhancing how patient information is shared across health and social care services | Scottish Government, in partnership with NHS boards and IJBs | HSCP working to improve local data and information through service and locality planning process. Developing our performance monitoring and planning capacity with appointment of with new service-dedicated planning leads and business analysts. IJB will continue to collaborate with NHSGGC wide and national initiatives to improve data and information sharing. |
| <ul style="list-style-type: none"> ▪ incorporate the principles of the Community Empowerment Act within communication and engagement strategies. | Scottish Government, in partnership with NHS boards and IJBs | HSCP developing a more systematic approach to gathering service user and carer feedback and updating our participation and engagement plan in partnership with 'Your Voice'. The HSCP is working to establish locality forums to delegate decision making on priorities to locality level. |

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

25 June 2020

Report by Clerk

NATIONAL EXTERNAL AUDIT REPORT – HOUSING BENEFIT PERFORMANCE AUDIT:
ANNUAL UPDATE 2019

PURPOSE OF REPORT

1. To provide information on the Audit Scotland report *Housing Benefit Performance Audit: Annual Update 2019*.

RECOMMENDATION

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

BACKGROUND

3. A copy of the Audit Scotland report [Housing Benefit Performance Audit Annual Update 2019](#), published in January 2020, 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 Swift and Councillor McLean. The Head of Communities, Revenues and Change has provided comments on that report and a copy of those comments 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 – *Housing Benefit Performance Audit: Annual Update 2019*.

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External Audit Report – Housing BenefitsComments for Audit & Scrutiny Committee on 25 June 2020Prepared by Head of Communities, Revenues & Change and Senior Revenues ManagerJune 2020**INTRODUCTION**

1. This paper aims to provide high level comments on the Council's position regarding the External Audit report on the topic of Housing Benefits, the annual national update by Audit Scotland (*Housing Benefit Performance Audit Annual Update 2019*).

BACKGROUND

2. As one of the smallest Housing Benefit services in Scotland, with an annual caseload of around 2,900, we have been planning for the gradual phasing out of Housing Benefit (HB) as a result of the implementation of Universal Credit. There is an eventual national goal to retain only those of pension age and a few complex or specific cases on HB post Universal Credit (UC). National delays in UC implementation have made the planning of resources in recent years a particular challenge.

3. Each year Audit Scotland produces a national update on its Housing Benefit Performance Audit. To produce this overview, Audit Scotland undertakes a Housing Benefit risk assessment based on a number of factors, including the Department for Work and Pension's (DWP) most recent published speed of processing performance statistics. East Renfrewshire Council participated in a Housing Benefit risk assessment in summer 2018 and reported to Audit and Scrutiny Committee in January 2019. These results were published in the Audit Scotland Annual Update published late in 2019.

4. The purpose of this paper is to provide the Audit and Scrutiny Committee with comments on the 2019 national annual report and, to update the Committee on progress within East Renfrewshire Council's Housing Benefit Service.

COMMENTSHousing Benefit Performance Audit Annual Update 2019

5. The Annual Update states that reports were issued to 5 councils in 2019 (including East Renfrewshire). The Accounts Commission concluded that in all 5 councils "the roll out of Universal Credit (UC) continues across Scotland and is having an impact on council benefit services.....the restructuring of benefit services, reducing caseloads and budget pressures are leading to less full-time benefit service employees". A total of 21 risks to continuous improvement were identified, with 8 of these relevant to East Renfrewshire Council.

6. This is a complex area with many changes which must be planned for and resourced in parallel with maintaining current service provision. Audit Scotland make reference in their report to councils restructuring to maintain service and provide job security.

7. In recent years our local focus has been on planning for the shift from HB to UC for the majority of cases below pension-age. For Revenues, this meant restructuring and

consolidating benefits services; delivering savings predicated on a forecasted declining HB caseload and developing our staff for the future, including multiskilling to build the resilience of what is a small team. The outcomes of the 2018 report led to an End to End process review and action plans being developed during 2019 which continue to be delivered into 2020.

East Renfrewshire Council – Update on Progress

8. The Audit Scotland report in 2018 concluded that there are 5 areas that the Council should address and a further 3 that needed further work from the last assessment. These were summarised as follows:

- speed of processing for new claims and changes of circumstance, which had seen a decline at the time of the audit
- resourcing challenges to ensure service is set up to deliver
- issues of accuracy of dates recorded in the system
- methodologies for sampling to ensure balance and checking accuracy
- further improving debt recovery
- utilisation of Direct Earnings Attachments (DEA) as a means of recovering overpaid HB.

9. The Senior Revenues Manager initiated an End to End process review in partnership with other services, such as Customer First, the Money Advice & Rights Team (MART) and Housing. This review was focused on understanding key drivers and improving overall performance in the benefits service. This involved workshops with relevant parties and took a targeted approach towards better use of data, particularly around processing and error rates to help understand where improvement could be delivered. The key changes being implemented from the review are:

- Improved support for customers with additional officers available to provide guidance for completion of documentation and promotion of online completion
- Improved documentation, including checklist/guides to clarify requirements and training
- Improved internal communication to ensure that there is a seamless flow End to End
- External benchmarking with other councils to understand and implement best practice

10. Results to date can be summarised as follows:

| Key Performance Indicator | 2017/18 | 2019/20 | Change | Change % | Comment |
|---|---------|---------|--------|----------|------------------------------|
| Speed of processing Housing Benefit New Claims (days) | 31 | 23.9 | -7.1 | -23% | Speed of processing improved |
| Speed of processing Housing Benefit Change of Circumstance (days) | 5 | 3.7 | -1.3 | -26% | Speed of processing improved |
| Accuracy of HB processing (%) | 77.0% | 93.5% | 16.5% | 21% | Accuracy improved |
| In year recovery of Housing Benefit Overpayment (%) | 71.0% | 105.0% | 34.0% | 48% | Debt recovery improved |
| Total recovery of Housing Benefit Overpayment (%) | 14.0% | 14.2% | 0.2% | 1% | Historic debt - under review |

11. The issues of speed of processing have been addressed and continue to be a focus for the Benefits team with weekly and monthly key performance indicators introduced, leading

to improvements of 23% and 26% for Housing Benefit new claims and change of circumstance respectively.

12. Accuracy of Housing Benefit processing has improved by 21% to 93.5% in 2019/20, with enhanced processes and detailed attention in this area. The methodologies for sampling of the Benefits caseload involve regular checking of the work processed by team members undertaken by those in Lead Officer roles. At present the checking is carried out on a random sample of the cases processed. Any items processed by Lead Officers are checked by the Team Leader, and in turn items processed by the Team Leader are checked by the Senior Revenues Officer. New members of the team, or those who have been found to have a higher error rate have a higher proportion of work checked (in cases of new staff it is 100%).

13. The debt recovery approach has been further developed, with a 48% improvement for in year debt recovery leading to a 105% result in 19/20. However, HB Overpayment debt becomes more difficult to collect as HB claimants move to Universal Credit. This was recognised and explained in the HB performance audit update in 2019, “one of the most effective and commonly used methods for recovering overpaid HB is through regular deductions from ongoing HB which will no longer be available following migration to UC”. As East Renfrewshire Council’s HB caseload continues to reduce with migration to UC, recovery of historic Housing Benefit Overpayments becomes increasingly difficult. This is compounded by the fact that this debt ranks low - “Councils can apply to have previous HB debt recovered from UC, but HB debt would be ranked along with other potential debts the claimant may have and is considered a low priority debt”. The Covid 19 pandemic has led to debt recovery being suspended at present within East Renfrewshire Council, as is the case within other councils in Scotland, to ensure that vulnerable residents within the community are supported. This is expected to result in significantly reduced collection levels during 2020/21, which will impact the good progress made with the performance figures above – we will not be alone in this as the impact will be felt right across the country.

14. Various actions are underway to recover the historic HB Overpayment debt. Within East Renfrewshire Council the historic HB Overpayment data and process is under review as part of the implementation of the new Council Tax and Benefits system in 2020/21. This will also include a review of the Debt Recovery Policy to ensure it is fit for purpose and this will be brought to Cabinet at a suitable time. The Department for Work and Pensions’ HB Debt recovery project commenced in April 2018 and provides councils with the opportunity to match dormant HB debt to real time HMRC employment and pension data. Between June 2018 and March 2020 around 300 cases were referred to the service and information returned shows just over half (56%) of these residents are in employment. We have used the information provided to proactively contact residents, with a small number having now paid in full (1%) and around 3% coming to a voluntary repayment arrangement. The main purpose of carrying out this work was to inform and enable the direct earnings attachment (DEA) process.

15. A significant amount of work was carried out with the aim of implementing Direct Earnings Attachment (DEA) as this is seen as good practice, however the existing software requires new functionality to manage the process which would result in additional costs to the Council. A business case for investing in this new functionality could not be made at the current time as we are in the process implementing the new Council Tax and Benefits system. Therefore this will not be progressed further at this time.

16. Resourcing was reviewed during 2019 and it was concluded that with a declining HB caseload, and process improvement actions being implemented (per above), existing resources are adequate with only limited support required from temporary resources. This is subject to ongoing review and monitoring, particularly during the current Covid 19 pandemic.

CONCLUSIONS

17. Benefits is a complex and frequently-changing area, with a nationally driven landscape and a range of different agencies involved. National delays in UC implementation have meant maintenance of HB caseloads for far longer than predicted. Against a background of reducing DWP funding, wider pressures on council budgets this continues to be a challenging time for service delivery and Audit Scotland's annual report highlights that this is the picture across the country.

18. Against this backdrop, we have undertaken a number of initiatives in East Renfrewshire Council to understand and improve benefits processing. We have a firm action plan in place, which is starting to deliver results and we continue to be committed to continuous improvement and high degrees of accuracy. The current Covid 19 pandemic will clearly have some impact on the performance results during 2020/21, however we continue to strive to improve. The implementation of the new Council Tax and Benefits system in 2020/21 will ensure that these improvements are embedded, supported by up to date technology, to allow East Renfrewshire Benefits teams to continue to deliver improved performance and customer/residents expectations.

BACKGROUND REPORTS

- National External Audit Report – Housing Benefit Performance Audit Annual Update 2019
- Audit and Scrutiny Committee Report - Local external audit report on Housing Benefit Performance Audit risk assessment, January 2019

EAST RENFREWSHIRE COUNCILAUDIT & SCRUTINY COMMITTEE25 JUNE 2020Report by Chief AuditorINTERNAL AUDIT PLAN PROGRESS REPORT 2019/20 QUARTER 4**PURPOSE OF REPORT**

1. To inform members of progress on Internal Audit's annual plan for 2019/20.

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 2019/20 - PROGRESS REPORT QUARTER 4

3. A copy of the annual audit plan for 2019/20 is shown in appendix 1. A total of 9 audit reports relating to planned 2019/20 audit work have been issued since the last progress report as shown in appendices 2 and 3. A satisfactory management response has been received for all reports where due dates have passed except for Procurement Red Flags and Highways Maintenance where some departmental responses have not yet been received. 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. The quarterly performance indicators for the service are shown in appendix 4.

4. Two new requests for assistance were dealt with using contingency time during the quarter, neither of which involved loss of income or cash to the council.

5. Seven audits in the 2019/20 plan where fieldwork had started and progressed have not yet been issued. It is hoped that two of these can be completed over the next few weeks which leaves five which will have to be suspended due to COVID19 restrictions and lack of access to relevant council officers and supporting documentation to enable conclusion of the audits. These are marked on appendices 1 and 2. It is proposed that these audits resume or restart at a later date when lockdown restrictions relating to COVID19 are eased sufficiently.

RECOMMENDATION

6. The Committee is asked to:
 - (a) note Internal Audit's progress report for audits completed in the final quarter of 2019/20 and post year end.
 - (b) confirm whether they wish any of the reports detailed in appendix 3 to be circulated to audit and scrutiny committee members or submitted to a future meeting for more detailed consideration.

(c) approve suspension of five audits due to COVID19 restrictions.

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

EAST RENFREWSHIRE COUNCIL
Internal Audit Section
ANNUAL AUDIT PLAN FOR 2019/20 PROGRESS REPORT

| Department | Title | Audit Number | No. of days | Status |
|-----------------------|--|--------------------------|-------------|----------------|
| Chief Executives | Ordering and Certification | 1 | 20 | Complete |
| Corporate & Community | GDPR | 2 | 15 | In progress |
| | Barrhead and Eastwood Payment Centres | 3 | 16 | Complete |
| | Corporate Debt Recovery | 4 | 20 | Complete |
| | Council Tax – Recovery and Enforcement | 5 | 18 | Deleted |
| | Creditor Payments | 6 | 10 | Complete |
| | Debtors control | 7 | 10 | In progress |
| | Housing Benefit/ Universal Credit | 8 | 30 | Complete |
| | Licensing income | 9 | 15 | Complete |
| | Scottish Welfare Fund | 10 | 15 | Complete |
| | Travelling and subsistence | 11 | 12 | Deferred 20/21 |
| | Education | Building cleaning | 12 | 15 |
| Schools Cluster | | 13 | 32 | Complete |
| Operation of Trust | | 14 | 15 | Deleted |
| Environment | Contract – Implementation of Cole Report | 15 | 15 | Complete |
| | City Deal | 16 | 15 | Complete |
| | Grant Certification | 17 | 15 | Complete |
| | Grounds maintenance | 18 | 15 | Complete |
| | Highways maintenance | 19 | 20 | Complete |
| | Parks and other outdoor income | 20 | 8 | Complete |
| | Stores | 21 | 20 | SUSPENDED |
| | Trade Refuse Income and special uplifts | 22 | 12 | Complete |
| | Climate Change Report | 23 | 5 | Complete |
| | Year end Stocktake | 24 | 5 | Complete |
| Housing | Housing Rent Accounting | 25 | 20 | Complete |
| | Housing – voids, garage allocations etc | 26 | 14 | SUSPENDED |
| HSCP | Bonnyton House | 27 | 10 | Complete |
| | Payments to care providers | 28 | 25 | SUSPENDED |
| | Carers Legislation | 29 | 15 | SUSPENDED |
| | IJB Strategic Risk Register | 30 | 20 | Complete |
| Trust | Community and Leisure Limited Trust | 31 | 20 | Complete |
| Other | NFI | 32 | 12 | Deleted |
| Various | Environmental Controls - general | 33 | 10 | Complete |
| | Contract 2 – Audit Scotland Procurement Red Flags | 34 | 25 | Complete |
| | Fraud Contingency | 35 | 66 | Complete |
| | General Contingency | 36 | 30 | Complete |
| | LG Benchmarking Framework | 37 | 10 | Complete |
| | Follow up (Note 1) | 38 | 50 | SUSPENDED |
| | Previous year audits | 39 | 20 | Complete |
| Total | | | 720 | |

Note 1 Marked as suspended as one follow up report relating to HSCP had been started but could not be completed due to COVID19 lockdown. All other follow up reports have been completed and reported to audit committee during the year.

Audit reports issued in the quarter are shown in bold

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| INTERNAL AUDIT | | | | | | | | | | | | | | | |
|----------------------------------|-----------|--|---|--------------------|-----------------------|-----------------------------|--|--|-----|---|---|----|---|--------------|--|
| REPORTS AND MEMOS ISSUED 2019/20 | | | | | | | | | | | | | | | |
| FILE REF | AUDIT NO. | SUBJECT | DEPARTMENT | DATE AUDIT STARTED | DATE REPORT MEMO SENT | DATE REPLY DUE | DATE REPLY REC | COMMENTS | Tot | H | M | L | E | Not accepted | |
| MB/1092/FM | 24 | Year End Stock Take | Environment | 23/03/19 | 10/06/19 | N/A | N/A | N/A | - | - | - | - | - | - | |
| MB/1093/NS | 35 | Payment of Invoices Performance Indicator | Corp & Comm Chief Execs office | 02/05/19 | 22/07/19 | 23/08/19 | 22/08/19 22/08/19 | Satisfactory Satisfactory | 3 | - | - | 3 | - | - | |
| MB/1094/NS | 13 | Schools Cluster Eastwood | Education | 04/03/19 | 12/06/19 | 26/07/19 Ext 06/09/19 | 11/09/19 | Satisfactory | 16 | - | 7 | 9 | - | - | |
| MB/1095/NS | 28 | Trust | Trust | 29/04/19 | | | | | | | | | | | |
| MB/1096/NS | 36 | Corp & Comm FU | Corp & Comm Environment Education HSCP | 08/05/19 | 26/09/19 | 1/11/19 | 31/10/19 31/10/19 31/10/19 25/11/19 | Satisfactory Satisfactory Satisfactory Satisfactory | 18 | - | 4 | 14 | - | - | |
| MB/1097/FM | 31 | Trust | Trust | 11/06/19 | | | | | | | | | | | |
| MB/1098/NS | 3 | Barrhead & Eastwood Payment Centres | Corp & Comm Accountancy | 20/05/19 | 24/07/19 | 29/08/19 | 27/08/19 26/09/19 | Satisfactory Satisfactory | 7 | - | 3 | 4 | - | - | |
| MB/1099/FM | 36 | Education Follow Up | Education | 21/05/19 | 16/09/19 | 18/10/19 | 11/10/19 | Satisfactory | 3 | - | - | 3 | - | - | |
| MB/1100/RM | 31 | Trust | Trust | 21/05/19 | | | | | | | | | | | |
| MB/1101/FM | 35 | Sickness PI | Corp & Comm | 11/07/19 | 05/09/19 | 11/10/19 | 08/10/19 | Satisfactory | 2 | - | - | 2 | - | - | |
| MB/1102/FM | 4 | Corporate Debt Recovery | Corp & Comm | 06/06/19 | 20/11/19 | 10/1/20 | 04/12/19 | Satisfactory | 4 | - | - | 4 | - | - | |
| MB/1103/RM | 36 | Environment Follow Up | Environment Corp & comm Legal & Proc't | 06/06/19 | 11/10/19 | 15/11/19 | 13/1/20 4/11/19 18/12/19 | Satisfactory 1 point not accepted Satisfactory Satisfactory | 19 | - | 5 | 14 | - | 1 | |
| MB/1104/MB | 18 | SPT Grants 2017/18 | Environment | 29/05/19 | 17/06/19 | n/a | n/a | n/a | - | - | - | - | - | - | |
| MB/1105/NS | 27 | Bonnyton House | HSCP | 14/06/19 | 02/10/19 | 8/11/19 | 8/11/19 | Satisfactory | 6 | - | 3 | 3 | - | - | |
| MB/1106/NS | 10 | Scottish Welfare Fund | Corp & Comm | 14/06/19 | 19/09/19 | 25/10/19 | 23/10/19 | Satisfactory 1 point not accepted | 6 | - | 1 | 5 | - | 1 | |
| MB/1107/RM | 15 | Cole Report | Environment | 25/06/19 | 21/10/19 | 22/11/19 | 25/11/19 | Satisfactory | 12 | - | 1 | 11 | - | - | |
| MB/1108/RM | 19 | Highways Maintenance | Environment Accountancy | 9/07/19 | 19/12/19 | 07/02/20 | 04/03/20 | Satisfactory 1 point not accepted | 10 | 3 | - | 7 | - | 1 | |
| MB/1109/NS | 20 | Parks and Other Outdoor Income | Environment | 31/07/19 | 20/11/19 | 10/1/20 | 15/1/20 Ext 24/1/20 | Satisfactory | 10 | 1 | 2 | 7 | - | - | |
| MB/1110/RM | 30 | IJB Follow-up | HSCP | 26/06/19 | 22/08/19 | 26/09/19 | 05/09/19 | Satisfactory | 2 | - | 1 | 1 | - | - | |
| MB/1111/FM | 18 | Grounds Maintenance | Environment | 02/09/19 | 12/12/19 | 31/1/20 | 05/02/20 | Satisfactory | 5 | - | 1 | 4 | - | - | |
| MB/1112/NS | 8 | Housing Benefits | Corp & Comm | 03/09/19 | 19/12/19 | 7/2/20 | 20/01/20 | Satisfactory | 5 | - | - | 5 | - | - | |

SUMMARY OF 2019/20 REPORTS ISSUED IN QUARTER ENDED 31 MARCH 2020 AND POST YEAR END WHERE RESPONSES HAVE BEEN RECEIVED**1. MB1109NS PARKS AND OTHER OUTDOOR INCOME**

The review covered the following key control objectives:

- Written procedures are in place for taking bookings and registering clubs.
- Bookings are charged in accordance with the latest approved fees and charges.
- Clubs have completed the registration process prior to pitch bookings being accepted.
- Permits have been issued for all relevant bookings.
- All bookings are accurately recorded in the relevant diary and income has been correctly recorded and receipted as appropriate.
- VAT treatment is correct for pitch bookings.
- Processes are in place to minimise outstanding debt.

The main areas of concern noted as part of the audit testing were in relation to the management of football bookings with only minor errors noted in relation to pavilion income.

The review of invoices issued to a sample of 15 clubs since April 2019 showed that the treatment of VAT is not in accordance with the guidance issued by HMRC. There were cases where the club had not made 10 or more bookings at the same location as well as cases where the gap between bookings was in excess of the permitted 14 days. In addition to this it was noted that in cases where the club had cancelled a booking within a block and therefore no longer complying with the VAT rules, retrospective invoices for the VAT element were not being issued despite this being a requirement of the VAT guidance and the Council Terms and Conditions.

The testing highlighted that bookings being taken by Customer First were erroneously being charged at the 2016/17 approved rate. This error was identified during 2019/20 and corrective action taken going forward. A decision was taken by Senior Management not to reissue invoices to the clubs affected by this error therefore the Council has not recovered all income that was due to it for periods prior to the error being identified. In addition, fees for one booking were waived by Senior Management.

To allow appropriate testing to be carried out on bookings it was necessary for the MRM system to be interrogated and reports produced. This could not be carried out by the employees responsible for pavilion and pitch bookings as they do not have the appropriate knowledge of the system. As a result of this the Management Systems and Business Information Officer within the Trust was asked to assist in producing the relevant reports. The lack of knowledge of the system within the Council is a major weakness and one that needs to be addressed as a matter of urgency.

Ten recommendations were made and accepted by management. One was classified as high risk, two as medium and seven as low risk. 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 |
|-------|--|-------------|-----------------|--|---------------------|--------------------------|
| 4.3.1 | A full review of the application of VAT free rates should be carried out to ensure that the requirements of HMRC are being followed. | Medium | Yes | Moving forward all teams will be charged VAT and will require to re-claim relief themselves. All teams will be notified of this change to operating procedures and the Service will retain evidence of called-off pitches for verification purposes. | Adrian Baines | March 2020 |
| 4.3.2 | Particular attention should be given to the treatment of cancellations and the impact these have on any VAT free rate given. | Medium | N/A | No longer applies given recommendations and conditions of 4.3.1 above. | Adrian Baines | N/A |
| 4.6.1 | Management should review the use of the MRM system to ensure that it is fit for purpose and ensure that all employees using the system have appropriate training to allow the system to be interrogated, otherwise an alternative system needs to be sourced and implemented as a matter of urgency. | High | Yes | There may be alternative options which may resolve the issues highlighted within this Audit. Further work will be undertaken and an Options Paper developed to look at viable, best value solutions. Procurement of a new system would have to be via the corporate CPA process and could not be introduced until at least April 2021. | Gillian Blaney | 2021/22 |

2. **MB1111FM GROUNDS MAINTENANCE**

The review covered the following key control objectives:

- Employee costs are posted to the correct account
- Overtime is adequately monitored and controlled
- Income and expenditure is complete and properly incurred
- Performance is controlled through effective monitoring
- Grounds maintenance is carried out at the agreed frequency as specified in maintenance schedules
- There is written agreement covering any ground being maintained which is not owned by the Council and all costs are fully recovered
- Amounts charged for maintenance work carried out are consistent and based on verifiable costs of providing the service

Testing carried out showed that employee costs, including overtime, are correctly calculated and monitored and that expenditure is properly incurred.

It was noted that work carried out was not always done at the agreed frequency per the contract but it is noted that the grounds maintenance service is currently being modernised and this includes a move to handheld electronic devices for the grounds maintenance workers which should result in improved recording and monitoring of work carried out.

Some cases were identified where the Council is maintaining ground which is not Council owned and the cost of the work is not being re-charged to the landowners. Two instances were identified where the PATS Land Ownership Map did not accurately reflect the Council as the land owner.

Five recommendations were made and accepted by management. One was classified as medium risk and four as low risk. 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 |
|-------|--|-------------|--------------------------------------|--|---------------------|--------------------------|
| 4.1.1 | The Director of Environment should consider how to achieve best value and address the issue of maintaining land not owned by the Council. Council approval should be sought for maintaining land not owned by the Council. | Medium | Partly. Further research is required | A review will be carried out to identify all areas of land maintained but not owned by the Council (see recommendation 4.1.2 below) and the date this practice originated. Further research will be carried out into the historic reasons for this including any contractual arrangements which may have been in place with predecessor authorities. At that point a decision will be made as to achieving best value and whether Council approval requires to be sought to continue to maintain the land. | John Buchanan | 1 December 2020 |

3. **MB1112NS HOUSING BENEFITS**

The review covered the following key control objectives focussing on the areas of payment, administration and post opening:

- 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
- Discretionary Housing Payments are made in accordance with DWP Best Practice Guide
- Payments made directly to landlords are appropriately authorised by the claimant and landlord where required
- Adequate records are in place to support action taken on returned and un-presented cheques
- Processes involving post opening, receipt, recording, distribution and monitoring are appropriate
- Data is held securely

Generally, no significant control failures were identified and the processes within the areas reviewed are operating satisfactorily.

The main findings relate to the handling of complaints within the timescales specified within the Council policy, authorisation for payments to be made direct to landlords and the continued use of two different formats of the application form.

It was also noted that a previous recommendation in relation to birthday lists had not been fully implemented and whilst management took immediate corrective action it has been included again to allow for future follow up to be undertaken.

Five recommendations were made and accepted by management, all of which were classified as low risk.

4. **MB1113RM HOUSING RENT ACCOUNTING**

The review covered the following key control objectives:

- Procedures are operated in accordance with legislation and the council's agreed written policy;
- There are adequate records and documentation to support rent arrears, each amendment made to the masterfile and the calculation of all gross rent amendments;
- Documentary evidence exists to record rent payments and support refunds made;
- Rent is charged on all housing property and is correctly calculated and valued, deductions are correctly valued and payment methods are cost effective;
- All relevant records and accounts are updated to record arrears transactions, rent increases, payments and refunds;
- Arrears are carefully monitored and recovery action initiated as and when necessary in accordance with the organisation's agreed written policy;
- Rents received are posted to the correct accounts and are banked in full;
- All rent transactions are initiated promptly for new and existing tenants and rent income is banked promptly.
- All rent transactions are legitimate and appropriate.

In general, no major weaknesses were found relating to internal controls based on sample testing. Reconciliations carried out by Accountancy staff between OHMS and the financial ledger, and between the bank and rent income were not up to date at the time of the audit due to sickness absence and the introduction of the new financial system but has now been brought up to date.

Six recommendations were made and accepted by management. Three were classified as medium risk and three as low risk. The 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 |
|-------|--|-------------|-----------------|--|---------------------|--------------------------|
| 4.3.2 | Each Rentsense report should be annotated showing clearly what action was taken in response to the information contained therein, or where none was necessary. | M | Yes | Accepted that procedures require to be amended to reflect the use of Rentsense. However, we use it to identify actions and OHMS is the system for noting actions | John Kelso | December 2020 |
| 4.4.1 | Evidence of monitoring that the procedures are being adhered to should be retained. | M | Yes | This will start with the introduction of the new Housing Management software system, Northgate Public Services. | John Kelso | May 2021 |
| 4.6.1 | The direct debit facility should be made available to all tenants as a method of payment. | M | Yes | This will start with the introduction of the new Housing Management software system, Northgate Public Services. | John Kelso | May 2021 |

5. **MB1114NS ORDERING AND CERTIFICATION**

The review covered the following key control objectives:

- Only goods and services which are required for the Council's business are ordered
- Orders are placed only after costs have been ascertained
- Orders are placed only with authorised suppliers
- Invoices are passed for payment to the correct supplier and only for goods/services received
- Invoices are correctly coded for posting to the financial ledger.

The procedures for purchasing goods and services appear to be followed in the majority of instances however, it was noted that there are no checks being completed to ensure that the prices being invoiced for an agreed contract are being checked for accuracy.

It was also noted that there is no formally documented review period for checking the accuracy of the master supplier file or relevance of system user access on Integra and when tested, a number of active users were no longer employed by the council.

Checks on the creation of new suppliers, addressing of invoices and ledger codes being selected at the point of raising the order all require to be strengthened to reduce the risk of error in each of these areas.

Eight recommendations were made and accepted by management. Three were classified as medium risk and five as low risk. The 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 |
|-------------|---|--------------------|------------------------|--|----------------------------|---------------------------------|
| 4.1.1 | The Category Manager should provide Audit with an update for the supplier in relation to the prices being invoiced and the corrective action taken. | Medium | Yes | The supplier is conducting a review of ERC Invoices and will provide an update. The invoice register will be available to all Category Managers. Chief Procurement Officer and Creditors Manager to provide training. | Debbie Hill | July 2020 |
| 4.3.2 | Access of the 35 users identified as no longer being employed by the council should be de-activated from the system. | Medium | Yes | The 35 users highlighted have been reviewed and de-activated from the system | Ian McLean | Complete |
| 4.5.1 | All users should be reminded of the requirement to ensure that the most appropriate category codes have been selected at the point of order to reduce | Medium | Yes | A SOP is available on the Core Systems resource library – order entry which includes reference to this point | Debbie Hill | Complete |

| Ref. | Recommendation | Risk Rating | Accepted Yes/No | Comments (if appropriate) | Officer Responsible | Timescale for completion |
|------|--|-------------|-----------------|---------------------------|---------------------|--------------------------|
| | the risk of incorrect codes being used and authorised. | | | | | |

6. **MB1115NS ENVIRONMENTAL CONTROLS**

The review covered the following key control objectives:

- Responsibilities for controlling the physical security of computing facilities are clearly defined;
- IT equipment is securely located;
- Adequate precautions exist to protect IT equipment;
- Only authorised persons have access to IT equipment;
- Adequate insurance cover exists for IT equipment;
- The transfer of data and IT facilities to and from the organisation is secure;
- IT processing undertaken at external centres is secure;
- Third party access to IT facilities is fully protected.

In assessing controls within the council, three sample locations were visited. No major weaknesses were found however the disaster recovery plan requires to be updated and review arrangements established. The ICT Operations Manager confirmed that steps have been taken to recruit a new member of the team who will be tasked with updating all network related documentation which will include the disaster recovery plan.

One recommendation was made and accepted by management and this was classified as low risk.

7. **MB1120NS LICENSING INCOME**

The review covered the following key control objectives:

- Income collected is correctly receipted and recorded on the system.
- Licence Income is correctly posted to the financial ledger and regular reconciliations are carried out.
- Correct fees were charged.
- Licence application forms were properly completed and authorised.
- Evidence of appropriate checks, including Police checks was documented.

The main weaknesses highlighted as part of this audit were that income reconciliations were not up to date and had not been completed since the introduction of the new financial system as Business Support have been unable to extract the required information. It was also noted that the fees and charges as approved by Cabinet on 29 November 2018 do not include all fees and charges being applied and there are also differences between the report and the information on the Council website.

There is also scope to improve the audit trail in place for supporting documentation and verification that the appropriate vetting checks have been completed.

Ten recommendations were made and accepted by management. One was classified as medium risk, the remaining nine as low risk. 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 | The reconciliation of licensing income to the financial ledger should be brought up to date as soon as possible and then reconciled after the end of each period. | Medium | Yes | Work is underway to bring these up to date and ensure that they are subsequently kept up to date | Eleanor Moore | 31 Jul 2020 |

8. **MB1126NS CREDITORS**

The review covered the following key control objectives:

- Invoices are properly checked and authorised prior to payment.
- Details on the creditors system agrees to the information per the purchase invoice.
- Purchase order forms are completed and authorised for purchases.
- Appropriate monitoring is carried out to highlight duplicate payments.
- BACS reports are received and checked prior to processing payment.
- Adequate records are maintained to show usage of local cheques.

The new financial system has been implemented since the last audit of creditor payments and as such a number of the recommendations made as part of the last audit have been superseded (e.g. manual authorised signatory list being maintained).

The main weakness highlighted as part of this audit was that the supporting reports for bank changes as a result of AWACS (Advice of Wrong Account for Automated Credits Service) and ARUCS (Automated Return of Unapplied Credit Service Report) reports are not being saved and cannot be recovered from the system beyond three months however it is noted that they are saved as attachments in Integra under the relevant supplier. Other minor anomalies were noted in relation to supplier standing system data and verification of use of cheque numbers.

Four recommendations were made and accepted by management, all of which were classified as low risk.

9. **MB1129RM CITY DEAL**

The review covered the following key control objectives:

- Reporting frequency of specified information is being adhered to.
- In awarding contracts, City Region Procurement Strategy and Council Contract Standing Orders have been complied with.

- Arrangements are in place to ensure that changes to project budgets are reflected in the overall programme budget and are recorded using appropriate documentation.
- Claims submitted to Scottish Government are accurate and have supporting documentation.
- Payments made are in accordance with approved City Deal expenditure.
- Risk management arrangements are in place, up to date and reviewed regularly
- Follow-up of previous city deal audit recommendations.

Of the five projects which have still to be completed, the revised profiles of two of these no longer show indicative timescales and state instead “TBC”. They previously showed indicative dates of tender issue, construction start, expected completion etc. Relevant project dates for one of the other projects have been deferred by several months. The risk of projects not proceeding on schedule and/or not producing the anticipated economic benefits owing to third party issues resulting in a gap in Government funding is included in the Council’s strategic risk register.

All amounts included in the claims submitted since the previous audit were able to be verified.

One of the recommendations made in the previous audit report does not have evidence of implementation and this is repeated again. It has been accepted by management and was classified as low risk.

| 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. |

EAST RENFREWSHIRE COUNCIL
Internal Audit Service

QUARTERLY PERFORMANCE INDICATORS

| <u>Internal Audit Indicators reported Quarterly</u> | Target (where applicable) | Quarter 4 Actual | Cumulative 2019/20 |
|---|------------------------------|---------------------|-----------------------|
| 2. Audit Coverage. | | | |
| 2.2 Actual direct audit days as a percentage of total days available | 75% | 76% | 75% |
| 2.3 Number of requests for assistance/queries raised by departments outwith planned audit work. | - | 2 | 12 |
| 2.4 Percentage of planned contingency time used. (Days available exclude public holidays, annual leave and sickness absence) | <100% | 15% | 48% |
| 5. Issue of Reports. | | | |
| 5.1 Number of audit reports issued per quarter. | - | 9 | 32 |
| 5.2 Ave. time in weeks from start of fieldwork to issue of report. (Note 1) | 12 weeks | 16.3 weeks | 14.4 weeks |
| 5.3 Ave. time taken to issue report (working days). (Note 2) | 10 working days | 21.3 working days | 13.4 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.

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

25 June 2020

Report by Clerk

CONSULTANCY EXPENDITURE AND RELATED LOG

PURPOSE OF REPORT

1. Further to discussions at the meeting of the committee in January 2019 on consultancy expenditure, this report summarises discussions on this issue by the committee thus far and, as agreed then, provides feedback on consultancy expenditure following the end of the 2019/20 financial year as referred to in the log that has been created for this.

RECOMMENDATION

2. It is recommended that the committee considers the feedback provided and discusses if any further action is to be taken.

BACKGROUND

3. At the meeting of the committee in November 2018, the Chair referred to concerns he had expressed at the Council meeting in October 2018 regarding the extent to which external consultants were being used by the authority. Having heard him suggest it could be useful if the committee investigated this further, it was agreed to progress some work on departmental expenditure on external consultants, feasibility studies and possibly legal advice; the reasons for such expenditure; and which consultants had been used.

4. Having noted that during the previous Administration the committee had progressed work on expenditure incurred on consultants during 2013/14 and 2014/15 and related issues, it was agreed that, in the first instance and prior to further discussion, the Clerk would submit a report in January 2019 on that work.

COMMITTEE'S PREVIOUS WORK ON CONSULTANCY ISSUES

5 The report submitted by the Clerk in January 2019 on [Consultancy Expenditure](#) referred to a report prepared by the Deputy Chief Executive which the committee had considered in February 2014 on issues raised within the national [Audit Scotland Report on Scotland's Public Sector Workforce](#) which assessed if public bodies were effectively planning and managing workforce changes, and focussed on approaches used by councils between 2009 and 2013.

6. The Deputy Chief Executive's report ([ERC Report on Scotland's Public Sector Workforce](#)), had provided feedback on the local position, including changes to staff numbers and costs, and implementation of workforce changes and related planning. That report concluded that the Council was well positioned relative to the national report, and that the principles of good practice specified in it were supported locally, focusing on workforce and budget planning to match the authority's needs whilst ensuring that skills and expertise were

maintained and developed, and that good value for money was achieved. Other issues referred to in the Deputy Chief Executive's report included how the Council was seeking opportunities to deliver services differently, such as through service redesign and further joint working and collaboration.

7. Issues raised by elected Members during related discussion at the February 2014 meeting and subsequently included concerns held by some Members on the number of experienced officers leaving the authority and related loss of expertise. More specifically, it was agreed to seek clarification on whether or not the Council was making greater use of consultants than compared to the period before the time covered by the national report.

8. The report submitted to the committee by the Clerk in January 2019 detailed how the committee's previous work on consultancy expenditure for 2013/14 and 2014/15 had been progressed in two stages, and how its Members had agreed to define the expenditure in which interest had been taken. The types of information gathered and collated, and how issues relating to external legal services costs had been discussed were also commented on. More specifically it was clarified that the committee had agreed to seek feedback for the two years concerned on "*Any paid consultancy or advice commissioned directly by the Council from an external individual, company or organisation for a fixed period of time to assist the Council progress an issue, including in respect of the provision of legal services*". Information for 2013/14 and 2014/15 had subsequently been collated and reviewed on which individuals or organisations had provided consultancy services; the services provided; the length of time they were employed and related costs; and why consultants had been considered required in each case. Information on the extent to which expenditure was linked to spend to save initiatives; and if it was one-off or recurring expenditure was also collated and considered. The fully collated information for 2013/14 and 2014/15 gathered during the committee's previous work was attached to the report prepared by the Clerk in 2019.

9. The report explained that the committee ultimately agreed that the exercise it had progressed had been useful, and commented also on the importance of departments analysing such costs similarly on an ongoing basis. More specifically, it was suggested that the Chief Executive be advised of the committee's view that it was important for departments to conduct such exercises to identify and scrutinise trends and inform discussions and analysis on whether the use of externally engaged staff, including consultants, trainers and agency staff for example, continued to deliver Best Value. The need to encourage departments to code consultancy work appropriately, which had been commented on during the review, was also highlighted.

10. As the committee held the view that it had focussed on an issue of an operational nature, it did not consider the submission of a report to the Cabinet on the work it had done appropriate. Ultimately it agreed that a copy of the collated feedback be passed to the Chief Executive for her review and interest, together with a note of the observations made by the committee on the value of such analysis by departments on an ongoing basis to help ensure Best Value was always secured. It also agreed that Directors be asked to remind all appropriate employees of the importance of coding consultancy related expenditure appropriately to assist with such analysis. The latter was done through the Action Note issued to departments following the committee's meeting.

11. In January 2019, the committee was asked to consider the report submitted by the Clerk and how it wished to proceed. Members of the committee were also reminded that in December 2018 the Council had agreed to reduce the threshold for allowing the Director of a procuring department to appoint consultants under Clause 19 of the Council's Contract Standing Orders from £50k to £10k, and to approve related logging arrangements.

12. During related discussion, issues commented on by Members included the challenges of defining consultancy, and the importance of appropriate account codes being used for such expenditure. Some concerns were also reiterated about experienced staff with expertise leaving the Council, such as through early retirement. Members also highlighted that, given its size, the Council did not always have sufficient officers in post with the appropriate skills to undertake some projects depending on their complexity, in respect of which the example of work on City Deal projects was referred to as was the inevitability of requiring consultants in certain circumstances.

13. It was suggested that it could be interesting to review what consultancy expenditure fell below the £10k log threshold and also the nature of it. In the first instance, it was agreed at the end of the 2019/20 financial year, to review the content of the consultancy log the Council established in December 2018 in relation to the appointment of consultants and discuss related issues.

14. Feedback on the content of the log was sought from the Chief Officer (Legal and Procurement) by the Clerk and a copy of this is appended. The log is also published on the corporate procurement section of the Council's website ([Consultancy Log](#)) and updated on a 6 monthly basis.

RECOMMENDATION

15. It is recommended that the committee considers the feedback provided and discusses if any further action is to be taken.

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. Reports on Scotland's Public Sector Workforce and related local feedback
2. Information provided by departments on the use and costs of consultants in 2013/14 and 2014/15 in accordance with the definition agreed by the committee
3. Reports submitted to the Committee on its previous work on consultants, including the meetings of the Committee held on March 2016 and January 2019
4. Consultancy Log on Council Website

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Contract Standing Orders
Clause 19 Contracts for the appointment of consultants

It is a requirement of Clause 19 that this log is completed within 14 days of the consultant being appointed. Please remember to update with the outstanding details required in Column F, actual spend incurred.

| Description of the services to be provided | Rationale for appointment | Supplier Name | Town/City | Contract Award Sum | Actual spend incurred | Start date | End Date | Department | Section | Dept Contact Name |
|---|---|--------------------------------|---------------|--------------------|-----------------------|------------|------------|-------------|------------------------|-------------------|
| Provision of consultancy and community engagement services | Consultant's expertise to support Auchenback Local Outcome Improvement Plan | Pidgin Perfect | Glasgow | £12,000.00 | £12,000.00 | 20/12/2018 | 03/31/19 | 31/03/2019 | Strategic Services | |
| Early Years Projects - Archaeological Surveys to Overlee Nursery | Specialist skills required that were not available in house | Guard Archaeology Ltd | Glasgow | £2,275.00 | £2,275.00 | 01/01/19 | | Environment | Technical Services | Alan Hook |
| 1 – Budget Challenge – line by line Departmental challenge – Environment Department plus Housing Services | Recognised experts in Public Finance were engaged to offer bespoke review and advice | CIPFA | London | up to 20,000 | £19,500.00 | 10/01/19 | 13/06/2019 | Environment | Housing | |
| Barrhead Park & Ride Redesign | Consultant's previous experience with project made their direct appointment, following a quotation from them, the rational way to proceed. All with the agreement of Procurement. | WSP UK Ltd | Edinburgh | £15,653.00 | £15,762.00 | 11/01/19 | 01/06/19 | Environment | Roads | |
| GPRS Survey Consultancy Service | Early Years Projects - Specialist ground penetrating radar surveys (GPRS) - Various Locations | Phase Site Investigations | County Durham | up to 50,000 | £10,780.00 | 01/02/19 | | Environment | Technical Services | |
| Early Years Projects - Tree condition Survey at Glenwood FC | Specialist skills required that were not available in house | Ayrshire Tree Surgeons Ltd | Kilmarnock | £2,100.00 | £2,100.00 | 01/02/19 | | Environment | Technical Services | Alan Hook |
| Structural & Civil Engineering Consultancy Services | Early Years Projects - Specialist skills required that were not available in house | Harley Haddow (Glasgow) Ltd. | Glasgow | up to 50,000 | £24,815.00 | 01/02/19 | 01/08/19 | Environment | Technical Services | |
| Strategic Support Partnership Services re Eastwood Park Campus | Contract was awarded to HubWest and subsequently managed by them through the Strategic Support Partnership to provide Specialist Services required not available in house | HubWest Scotland | Glasgow | £50,207.00 | £50,207.00 | 01/02/19 | 01.09/19 | Environment | Director | |
| Coal Tar Testing - Aurs Road | No in house experience for Coal Tar testing as this is not a service that requires permanent in house resource | MAT Test Site Services Limited | Glasgow | £7,880.00 | £7,880.00 | 17/02/19 | 01/04/19 | Environment | Major Capital Projects | |
| Topographical Survey - Aurs Road | No in house experience for Topographical Surveys as this is not a service that requires permanent in house resource | Malcolm Hughes Land Surveys | Livingstone | £3,600.00 | £3,600.00 | 17/02/19 | 01/04/19 | Environment | Major Capital Projects | |
| City Deal - Aurs Road and Boardwalk traffic management for Aurs Road closure | No in house resource available | Coneworx | Glasgow | £1,058.00 | £1,058.00 | 17/02/19 | 01/04/19 | Environment | Major Capital Projects | |
| Quantity Surveying Consultancy Services | Additional temporary QS Services required to deliver Barnes Street due to additional staff requirements from this project. Procurement was chosen through 3 quotations | Storrier & Donaldson | Glasgow | £4,960.00 | £3,480.00 | 27/02/19 | | Environment | Technical Services | |
| Civil Engineering Consultancy services | Early Years projects - Specialist topographical surveys for Glenwood Nursery | Loy Surveys | Renfrew | £650.00 | £650.00 | 01/03/19 | | Environment | Technical Services | |
| ELC 1140 Expansion update to Filemaker Database | Specialist knowledge of ERC policy and software used | Robert Tennent | Dunoon | £1,411.96 | £1,411.96 | 04/03/19 | | Education | Central Admin | |
| To carry out audit of Adult Support and Protection work within East Renfrewshire HSCP | Independent Audit | Peter Jennow | Glasgow | £300.00 | £300.00 | 20/02/2019 | 18/03/2020 | HSCP | ASP | |
| Cost for STEM Working | Specialist knowledge of ERC schools and subject matter | Stuart Allison | Linlithgow | £3,600.00 | £3,600.00 | 20/02/2019 | | Education | Central Admin | |
| To carry out audit of Adult Support and Protection work within East Renfrewshire HSCP | Independent Audit | Peter Jennow | Glasgow | £4,700.00 | £4,375.00 | 21/01/2019 | 20/02/2019 | HSCP | ASP | |
| Prep of Curriculum structures and timetabling. Software development. Prep of Training materials. | Specialist knowledge of ERC schools and timetabling | Robert Tennent | Dunoon | £15,840.00 | £6,734.55 | 28/03/2019 | | Education | EMIS Unit | |
| Creating timetables for 7 schools. Software development. Training for EMIS staff in timetabling | Specialist knowledge of ERC schools and timetabling | Robert Tennent | Dunoon | £15,840.00 | £5,555.88 | 28/03/2019 | | Education | EMIS Unit | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | | | | | | | | | |
| RECORD FROM THIS POINT FORWARD APRIL 2019 - 31 MARCH 2020 | | | | | | | | | | |
| Homecare review | Homecare consultancy | Dennis O'Donnell | Glasgow | £9,350.00 | £9,350.00 | 01/04/19 | 01/11/19 | HSCP | Homecare | Gayle Smart |
| Engagement activity in support of strategy development | To support engagement activity in support of strategy development | Thrive Associates Ltd | Edinburgh | £49,999.00 | £38,749.37 | 01/07/19 | 01/07/19 | HSCP | Commissioning | Kevin Beveridge |
| Consultant in Community Alarms, Home Care, Telecare and Telehealth | Support Improvement Activity in relation to TSA Quality Standards Framework (KPI's) | Doreen Watson | Newton Mearns | £3,000.00 | £2,125.00 | 04/11/19 | 24/12/2019 | HSCP | Homecare | Gayle Smart |
| Research and strategic development | Strategic Review | Matter of Focus | Edinburgh | £52,550.00 | £52,550.00 | | 28/02/2020 | HSCP | Commissioning | Kevin Beveridge |
| Bluerock Consultancy | Specialist Service Support for Information Governance and Security | NVT | Glasgow | £2,375.00 | £2,375.00 | 10.11.19 | 01.12.19 | C & CS | ICT | Paul Lucas |

| | | | | | | | | | | |
|---|---|--|---------------|------------|-------------------------------|------------|---|-------------|--------------------------|------------------|
| Assistance is sought from an experienced individual/supplier to work with East Renfrewshire Council to review and refresh our Digital Strategy, ensuring it is fit for the future, taking account of new and emerging technology, and has ambitious targets and actions which will deliver on our significant ambitions across the next 5 years and beyond. | Required short term expertise of Digital strategy work and Digital expertise to cover the vacant Digital Programme Manager post | Gunn Stewart Solutions | Glasgow | £30,520.00 | £24,979.00 | 01.11.19 | 31.03.20 | C & CS | PMO | Lesley Anne Neil |
| Structural survey and repair solution for weighbridge at Greenhags waste transfer station | A full building survey indicated there may be excess corrosion to structural beams which may have significant Health & Safety implications – DBA are well known in this field and were able to assist within 24 hours. | Dougall Baillie Associates | East Kilbride | £10,000.00 | £8,835.70 | 01.11.19 | 01.03.20 | Environment | Neighbourhood Services | John Buchanan |
| Examination analysis and Timetabling preparation. | Specialist knowledge of ERC Schools and timetabling. | Robert Tennant | Dunoon | £15,840.00 | £16,224.12 | 18.09.19 | 31.03.20 | Education | Schools | Mark Ratter |
| 7 2hr Learning and Teaching sessions for Sciences | Specialist knowledge of ERC schools and subject matter. | Stuart Allison | Linlithgow | £2,100.00 | £2,100.00 | 16.10.19 | 31.03.20 | Education | Schools | Mark Ratter |
| Structural Engineer Consultancy - Hub West Scotland Framework Agreement | ERC has no in-house capacity but regularly requires structural advice | Cowal Design Consultants Ltd via sub-consultancy agreement with HubWest Scotland | Glasgow | £55,000.00 | £22,950.00 | 11.12.19 | 9-12 months | Environment | Strategic Services | Alan Hook |
| Partnering Services in connection with Eastwood Park Campus Agreement: Framework Agreement - Hub West NQ71-ERC-01 | Ongoing resource to an existing Hub West project including move from masterplan level area assessments and diagrams for buildings and open spaces to development of schedules of accommodation and plan diagrams which establish key briefing considerations. | Stallan Brand | Glasgow | £41,350.00 | | | 21.11.20 | Environment | Strategic Services | Andy Cahill |
| Planning application consent for quarrying works at Floak Quarry | ERC have no experience in carrying out these works | Ironside Farrar | Bellshill | £1,200.00 | | | | Environment | Planning | Ian Walker |
| Advice and Analysis of Compensation Events on the Balgraystone Road Project. | Assistance required to assess Compensation Events that had arisen on site. Advice and analysis required by NEC Contract specialist. | GLEEDS | Glasgow | £5,500.00 | £5,500.00 | 20/01/2020 | 31/07/2020 | Environment | Economy & Infrastructure | James Mullen |
| Due to project contract being extended, continue with on-site support for Ecology at Balgraystone Road. | Supplier was appointed to supervise Ecology on site during works. Project faced delay and Contract Completion date was pushed out so supervision being provided required to be extended to cover new completion date. | Mott MacDonald | Surrey | £5,000.00 | £5,000.00 | 01/04/20 | 01/06/20 | Environment | Economy & Infrastructure | James Mullen |
| Options Analysis for roundabout position on Aurs Road. | Debate existed as to the best position of a new roundabout on Aurs Road in relation to potential development of adjacent land. Peter Brett Associates are the designers of Aurs Road so they were asked to consider various location options and report back on findings. Appointment made through Scotland Excel Engineering and Technical Consultancy Framework - Direct Award. | Peter Brett Associates | Glasgow | £7,857.00 | £7,857.00 | 05/04/19 | 05/06/19 | Environment | Economy & Infrastructure | James Mullen |
| Update Ardochrig SUDS Design, Flood Risk Assessment, independent certification and B of Q. | Update previous work completed 2016/17 to take account of proposed design changes. | Dougal Baillie Associates | East Kilbride | £4,050.00 | £0.00 | 22/01/2020 | TBC (work substantially complete) | Environment | Strategic Services | Nick Prower |
| Consultancy Services associated with Balgray Reservoir water safety audit. | To support the development of recreation and infrastructure proposals associated with Aurs Road and Balgray Reservoir. | RoSPA | Birmingham | £3,020.00 | £3,020.00 | 11/10/19 | 12/02/19 | Environment | Strategic Services | Stephen McHenry |
| Consultancy services for commercial and economic viability for proposals at Dams to Darnley Country Park. | Another supplier had previously prepared study so wanted a fresh look and sense check of project undertaken (concerns that previous study was out of date and heavily caveated). EKOS were familiar with project due to background work on SBC and OBC's for City Deal M77 Corridor Programme. | EKOS Limited | Glasgow | £6,050.00 | £6,050.00 | 12/07/19 | 08/11/19 | Environment | Economy & Infrastructure | Marie Mullen |
| Holmes Miller to revisit masterplan sketch from the Balgray Wake Park Feasibility report dated October 2017. To provide updated scheme proposals and costs. | Supplier had previously won tender competition to design new Wake Park. Wake Park was now being reallocated to opposite side of reservoir to sit alongside proposed Visitor Centre. Work was being undertaken to scope and assess Visitor Centre project and masterplan sketch was required to consider options. Holmes Miller were knowledgeable of both projects. | Holmes Miller Architects | Glasgow | £9,600.00 | £9,600.00 | 25/09/2019 | 02/10/19 | Environment | Economy & Infrastructure | Marie Mullen |
| Landscape design at Fairweather Park, Project Initiation, Surveys and Concept Design (RIBA 1 & 2), Detailed and Technical Design (RIBA 3 & 4), Implementation & Close out (RIBA 5-7) | Project funded through the Town Centre Regeneration Fund with contract to be awarded by the 31st March 20. Permission to proceed given at the end of November 19. AMEY, who were ranked first on the South Lanarkshire Consultancy Framework were approached but confirmed that they were unable to meet our timescales. Ironside Farrar, who were ranked second, were then approached and confirmed that they could meet the timescales. | Ironside Farrar | Edinburgh | £9,750.00 | £0.00 Still to be invoiced | 01/12/19 | Design works have been completed but End date at present unknown until lockdown is lifted and contractor can be appointed | Environment | Economy & Infrastructure | Jeanne Black |
| Road safety and active travel study at Glasgow Road, Eaglesham, Project Initiation, Surveys and Concept Design (RIBA 1 & 2), Detailed and Technical Design (RIBA 3 & 4), Implementation & Close out (RIBA 5-7) | Project funded through the Town Centre Regeneration Fund with contract to be awarded by the 31st March 20. Permission to proceed given at the end of November 19. T,P & E had previously provided work of a similar nature at another location and confirmed that they could meet the very tight timescales. | T, P & E | Glasgow | £9,065.00 | £6,185.00 paid to date | 01/12/19 | Design works have been completed but End date at present unknown until lockdown is lifted and contractor can be appointed | Environment | Economy & Infrastructure | Jeanne Black |
| Design works have been completed but End date at present unknown until lockdown is lifted and contractor can be appointed | Continuity of work - AECOM are the consultant for the STAG 1 Transportation appraisal for Barrhead South | AECOM | Glasgow | £4,950.00 | £4,950.00 | 05/01/20 | 31/03/2020 | Environment | Economy & Infrastructure | Jeanne Black |

| | | | | | | | | | | |
|---|---|--------------------------------|-------------|-----------|-----------|----------|------------|-------------|--------------------------|-----------------|
| Creation of a brand for Greenlaw (The Greenlaw Works), layout and furniture selection | Expertise in business centre interior design for Greenlaw. Recommendation for similar services obtained from Clyde Gateway. | Graven Images | Glasgow | £9,900.00 | £9,900.00 | 01/10/19 | 31/01/2020 | Environment | Economy & Infrastructure | Catherine McKay |
| Cartography | Update Site Maps | Peel Land Surveys | Sheffield | £1,000.00 | £950.00 | 01/11/19 | 31/03/2020 | Environment | Economy & Infrastructure | Nick Prower |
| Advice on service charges for Greenlaw Business Centre | Property agent practice familiar with the building | Savills | Glasgow | £200.00 | £200.00 | 01/05/19 | 31/08/2019 | Environment | Economy & Infrastructure | Alan Robertson |
| City Deal Business Boost Business Plan update | Provided previous Business Plan advice | EKOS Limited | Glasgow | £9,500.00 | £8,500.00 | 01/07/19 | 31/08/2019 | Environment | Economy & Infrastructure | Alan Robertson |
| Advice on operating costs and income for Greenlaw Business Centre | Experience of business centre finances | CJM Accountancy | Kilmarnock | £9,500.00 | £2,625.00 | 01/03/19 | 31/07/2019 | Environment | Economy & Infrastructure | Alan Robertson |
| Preparation of fire strategy plan for Greenlaw Business Centre | Recommendation of Greenlaw building surveyor | BB7 Fire & Security Consulting | Glasgow | £5,000.00 | £1,850.00 | 01/06/19 | 31/08/2019 | Environment | Economy & Infrastructure | Alan Robertson |
| Design work & CDM plan for new pedestrian crossing, Capelrig Road, Newton Mearns | Consultant familiar project/locale | Ian Routledge Consultants | Upper Poppl | £4,600.00 | £4,300.00 | 01/12/19 | 31/08/2019 | Environment | Economy & Infrastructure | Alan Robertson |
| Design work & CDM for new signalised junction, Barrhead Road, Newton Mearns | Consultant familiar with project/locale | Ian Routledge Consultants | Upper Poppl | £8,800.00 | £8,500.00 | 01/12/19 | 31/08/2019 | Environment | Economy & Infrastructure | Alan Robertson |

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EAST RENFREWSHIRE COUNCIL
AUDIT AND SCRUTINY COMMITTEE

25 June 2020

Report by Clerk

AUDIT AND SCRUTINY COMMITTEE WORK PLANS 2019/20 AND 2020/21

1. To provide an update on the 2019/20 Audit and Scrutiny Committee Work Plan; consider related performance; and seek approval of the 2020/21 Work Plan to the extent it has been developed thus far.

RECOMMENDATION

2. It is recommended that the committee:-
- (a) notes and considers performance against the Committee's 2019/20 Annual Work Plan;
 - (b) approves the draft 2020/21 Annual Work Plan, to the extent it has been developed thus far;
 - (c) agrees that the development of the 2020/21 Work Plan continue, with an update submitted to a future meeting; and
 - (d) notes that progress in delivering the 2020/21 Work Plan will be reviewed in due course, with a progress report submitted to a future meeting.

AUDIT AND SCRUTINY WORK PLAN

3. In June 2019 the committee agreed to recommend to the Council that a draft *Guide to Scrutiny and Review* which was prepared be approved and made available to all committees and Members of the Council for use. The guide was subsequently approved by the Council on 26 June and distributed.

4. Amongst other things and to help the committee schedule and prioritise its work over the course of each year, the guide proposed that an annual Work Plan be developed and agreed. This was to help 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 the Outcome Delivery Plan.

5. The committee's first Work Plan, for 2019/20, was approved in June 2019 to the extent it had been developed by that stage. It included reference to recurring reports the committee considers every year such as on treasury management, Internal Audit work and risk management, and various national External Audit reports scheduled for publication on a range of issues on which local feedback was to be requested for consideration.

6. It was highlighted that the Work Plan would effectively be a 'live' document and that, moving forward, it would include reference to specific areas of investigation identified and agreed by the committee and related timescales to progress these, taking account of selection and rejection criteria for reviews contained in the new Guide to Scrutiny and Review. For

example, the work the committee agreed in June 2019 to progress on income generation and commercialisation, the detailed scope of which was approved in August 2019, was added to it. Taking account of the selection and rejection criteria, enhanced by a priority rating scale developed to help determine further what work was considered a high, medium or low priority to progress, and if work should be pursued on some suggested issues at all, the way forward on some other potential review areas was also determined in August or meetings following that and reflected in the plan. Some of these areas of work are to be taken forward as part of the 2020/21 Work Plan or future plans beyond that.

PROGRESS REPORTS ON 2019/20 WORK PLAN

7. An updated version of the 2019/20 Work Plan, referring to progress on various issues, was most recently formally considered in September 2019. Appendix 1 provides a statement on progress by 31 March 2020 against the 2019/20 Work Plan. The update includes reference to the in-depth investigations the committee agreed to undertake on income generation and commercialisation, then climate change, with support from the Scrutiny and Evaluation Officer who was in post from April 2019 to March 2020. It also refers to other reports and issues considered since previous versions of the Plan were submitted, such as the report on the scope of the Best Value type review on the East Renfrewshire Culture and Leisure Trust which the committee received in November and on which the committee will receive a further report on 25 June 2020. For clarity, notes on a range of issues relating to the plan, such as regarding ongoing matters to be considered as part of the 2020/21 Work Plan for various reasons, are also provided in Appendix 1. The committee is invited to note and consider performance against the 2019/20 Work Plan.

2020/21 WORK PLAN

8. This report also presents a draft Work Plan for 2020/21, to the extent it has been possible to develop it thus far. It reflects that, as for other formal Council related meetings, some recently scheduled meetings of the Audit and Scrutiny Committee had to be cancelled linked to the current Covid-19 emergency and work relating to it. This has impacted on when some matters will now be considered by the committee. As for 2019/20, the Work Plan includes reference to various recurring reports that will be submitted throughout the year, such as those on the Annual Accounts, treasury management, internal audit work and risk management.

9. The 2020/21 Work Plan also takes account of national and local external audit reports which have been or are being published, to the extent the position on this is known just now. The Work Plan allows for comments to be sought on these from officers for consideration under the committee's specialisation arrangements. Regarding planned national external audit work, earlier this month the Chair of the Accounts Commission wrote to local authorities on its current approach to fulfilling its responsibilities on reporting to the public on the performance of local government in the context of the Covid-19 emergency. Having acknowledged that the local government environment is changing as a result of the emergency, he clarified that the Commission was now considering what the emergency meant for its own strategy, with the scheduling of related work to be reviewed in the coming weeks to recognise the new reality in which local government finds itself. It was highlighted that this would affect all of the Commission's 5 year work programme, with work to review it expected to extend into the Autumn.

10. In the interim, following consideration, the Commission considered it helpful to publish work which was essentially completed before the emergency began, such as its national performance audit on Affordable Housing. The Commission has also confirmed the publication in June of reports on Equal Pay in Scottish Councils, and the Local Government Overview Report for 2019/20. The committee's 2020/21 Work Plan takes account of the publication of

these reports and will be updated further, in due course, when the position regarding other external audit work and reports and the timescale for their publication is clarified further.

11. It is proposed that the committee approves the draft 2020/21 Annual Work Plan, to the extent it has been possible to develop it thus far. It is also proposed that the committee agrees that its development and the position on more detailed work be kept under review, taking account amongst other things that the Scrutiny and Evaluation Officer supported the delivery of the committee's 2019/20 Work Plan but that that resource is no longer available, with an updated plan being submitted to a future meeting.

CONCLUSION

12. In the interests of transparency, openness and to provide evidence of the Council's ongoing commitment to demonstrating Best Value and continuous improvement, this report reflects the range of work progressed by the committee during 2019/20. The Work Plan provided the committee with greater oversight regarding the scheduling of work and consideration of issues, including scrutiny and review investigations it agreed to progress. As for 2019/20, the Audit and Scrutiny Committee's annual 2020/21 Work Plan which is also referred to in this report will be considered a live document and refreshed periodically to reflect what the committee agrees subsequently to progress.

RECOMMENDATION

13. It is recommended that the committee:-
- (a) notes and considers performance against the Committee's 2019/20 Annual Work Plan;
 - (b) approves the draft 2020/21 Annual Work Plan, to the extent it has been developed thus far;
 - (c) agrees that the development of the 2020/21 Work Plan continue, with an update submitted to a future meeting; and
 - (d) notes that progress in delivering the 2020/21 Work Plan will be reviewed in due course, with a progress report submitted to a future meeting.

Report Author: Linda Hutchison, Clerk to the Committee (0141 577 8788)
E-mail address: linda.hutchison@eastrenfrewshire.gov.uk

Background Papers

Proposed Guide to Scrutiny and Review - Report by Chief Executive (*June 2019*);
Potential Areas for Scrutiny & Review Investigations - Report by Chief Executive (*August 2019*)
Audit and Scrutiny Committee Work Plan - Report by Clerk (*September 2019*)

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Audit and Scrutiny Committee
Updated 2019/20 Work Plan

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|---|--|--|
| 20 June 2019 | Proposed Guide to Scrutiny and Review, including Audit and Scrutiny Committee Work Plan 2019/20 | Chief Executive | 20/6/19 |
| | Code of Corporate Governance | Deputy Chief Executive | 20/6/19 |
| | Arboricultural Framework | Director of Environment | 20/6/19 |
| | Unaudited Annual Accounts 2018/19 | Head of Accountancy | 20/6/19 |
| | Local External Audit Report – East Renfrewshire Council Management Report 2018/19 | External Auditor | 20/6/19 |
| | National External Audit Report - Local Government in Scotland: Challenges and Performance 2019 | Clerk in liaison with Deputy Chief Executive | 20/6/19 |
| | National External Audit Report - Health and Social Care Integration – Update on Progress | Clerk in liaison with Director, HSCP | 20/6/19 |
| | Public Sector Internal Audit Standards (PSIAS) Internal Self-Assessment | Chief Auditor | 20/6/19 |
| | Internal Audit Charter | | 20/6/19 |
| | Internal Audit Plan 2018/19 - Implementation Progress – January to March 2019 | | 20/6/19 |
| | Internal Audit Annual Report 2018/19 | | 20/6/19 |
| | Committee's Specialisation Arrangements for Dealing with Internal and External Audit Reports and Inspection Reports | | Clerk to the Committee |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|---|---|--|
| 27 June 2019 | Meeting Cancelled as no Longer Required | Not Applicable | Not Applicable |
| 15 August 2019 | Update on Audit and Scrutiny Committee Work Plan 2019/20 (Including Consideration of Next Scrutiny and Evaluation Review) | Clerk to the Committee | 26/9/19 |
| | National External Audit Report – How Councils Work – Safeguarding Public Money: Are You Getting it Right? | Clerk in liaison with Head of Accountancy | 15/8/19 |
| | Annual Treasury Management Report 2018/19 | Head of Accountancy | 15/8/19 |
| | Internal Audit Plan 2019/20 - Implementation Progress – April to June 2019 | Chief Auditor | 15/8/19 |
| | Investigation on Income Generation and Commercialisation – Progress Report | Chief Executive (Scrutiny and Evaluation Officer) | 15/8/19 |
| | Potential Areas for Scrutiny and Review Investigations | | 15/8/19 |
| 26 September 2019 | Strategic Risk Register and Risk Management Progress – Biannual Report | Chief Executive | 26/9/19 |
| | National Fraud Initiative - Update (Incorporating Reference to Audit Scotland's Fraud and Irregularity 2018/19 Update) | Head of Communities, Revenues and Change | 26/9/19 |
| | 2018/19 Annual Accounts for Council's Charitable Trusts and External Audit International Standard on Auditing 260 Report | Head of Accountancy and External Auditor | 26/9/19 |
| | 2018/19 Annual Accounts and Draft Annual Audit Report for East Renfrewshire Council | | 26/9/19 |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|--|--|---|
| 26 September 2019 (cont'd) | Managing Absence – 2018/19 Annual Report | Deputy Chief Executive | 26/9/19 |
| | Summary of Early Retirement/ Redundancy Costs to 31 March 2019 | | 26/9/19 |
| | Investigation on Income Generation and Commercialisation - Further Progress Report | Chief Executive (Scrutiny and Evaluation Officer) | 26/9/19 |
| 21 November 2019 | Interim Treasury Management Report 2019/20 | Head of Accountancy | 21/11/19 |
| | Internal Audit Plan 2019/20 – Implementation Progress – July to September 2019 | Chief Auditor | 21/11/19 |
| | Housing Benefit Performance Audit: Annual Update 2019 (See Note 1) | Clerk in liaison with Head of Communities, Revenues and Change | Now 25/6/20 (2020/21 Work Plan refers) |
| | National External Audit Report: Revenue Financing of Assets (Non-Profit Distributing and Hub Models) (See Note 2) | Clerk in liaison with Director of Environment | Now 13/8/20 (2020/21 Work Plan refers) |
| | Investigation on Income Generation and Commercialisation - Final Draft Report, Conclusions and Recommendations for Consideration (See Note 3) | Chief Executive (Scrutiny and Evaluation Officer) | 21/11/19 |
| | Schools Admission Policy and Education Appeals System – Presentation (See Note 4) | Clerk in liaison with Director of Education and Director of Corporate and Community Services | 21/11/19 |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|---------------------------|---|---|---|
| 21 November 2019 (cont'd) | Investigation on Climate Change: Scope and Timeline | Chief Executive (Scrutiny and Evaluation Officer) | 21/11/19 |
| | East Renfrewshire Culture and Leisure Trust – Best Value Type Review – Scope | | 21/11/19 |
| 23 January 2020 | National External Audit Report: NHS in Scotland (See Note 5) | Clerk in liaison with Director, HSCP | Now 25/6/20 (2020/21 Work Plan refers) |
| | Internal Audit Plan 2019/20 – Implementation Progress – October to December 2019 | Chief Auditor | 23/1/20 |
| 20 February 2020 | Treasury Management Strategy 2020/21 | Head of Accountancy | 20/2/20 |
| 12 March 2020 | Strategic Risk Register and Risk Management Progress - Biannual Report | Chief Executive | 12/3/20 |
| | Audit and Scrutiny Work Plan 2019/20 Progress and 2020/21 Work Plan | Clerk to the Committee | Now 25/6/20 (2020/21 Work Plan refers) |
| | Internal Audit Strategic Plan 2020/21 – 2024/25 | Chief Auditor | 12/3/20 |
| | East Renfrewshire Council - Annual Audit Plan 2019/20 | External Auditor | 12/3/20 |
| | National External Audit Report: Scotland's City Region and Growth Deals | Clerk in liaison with Director of Environment | 12/3/20 |
| | National External Audit Report: Local Government in Scotland – Financial Overview | Clerk in liaison with Head of Accountancy | 12/3/20 |
| | Investigation on Climate Change Final Draft Report, Conclusions and Recommendations for Consideration (See Note 6) | Chief Executive (Scrutiny and Evaluation Officer) | 12/3/20 |
| | Operation of East Renfrewshire Culture and Leisure Trust – Review Outcome (See Note 7) | Chief Executive | Now 25/6/20 (2020/21 Work Plan refers) |

NOTES ON WORK PLAN

Note 1 (Housing Benefit Performance Audit: Annual Update 2019)

The *Housing Benefit Performance Audit: Annual Update 2019* was not published by Audit Scotland in time to provide feedback to the November 2019 meeting. Following its publication in January 2020, feedback was sought which will now be submitted to the committee on 25 June 2020.

Note 2 (National External Audit Report: Revenue Financing of Assets (Non-Profit Distributing and Hub Models))

The *National External Audit Report: Revenue Financing of Assets (Non-Profit Distributing and Hub Models)* was not published in time to provide feedback to the November 2019 meeting. Following its publication in January 2020, feedback was sought which will now be submitted to the committee on 13 August 2020, taking account of other priorities being dealt with at present.

Note 3 (Investigation on Income Generation and Commercialisation)

The report on the committee's investigation on *Income Generation and Commercialisation*, which was regarded as a high priority issue for review, was submitted to the Cabinet on 6 December 2019 which agreed to support the recommendations made in principle, and that a response to the report would be submitted to the Cabinet in 6 months. The date on which the Audit and Scrutiny Committee seeks a further report on this issue, in terms of its 2020/21 Work Plan, is subject to when that response is submitted to the Cabinet, and its content such as in terms of timescales for implementing recommendations.

Note 4 (Schools Admission Policy and Education Appeals System)

As agreed in August 2019, the Director of Education was advised then of the committee's concerns on the potential implications of the proposal under consideration by the Scottish Government to transfer administration of the education appeals system from local authority control to the Scottish Tribunals System. This was to allow her to consider the views expressed when formulating responses to any related consultation. She was also advised of concerns expressed at the meeting on the current criteria for approving school placing requests, specifically the impact the approach had on some East Renfrewshire resident families in terms of siblings not necessarily being able to access the same school when catchment areas are altered.

At the same meeting, the committee agreed that the Education Appeals System was a low priority issue for review, but that the appeals process would continue to be monitored over the next two academic years to ascertain the impact of implementing any changes made to the national education appeals system, and that the committee would consider in 2021/22 any modifications to the appeals process that may be required to improve the focus on customers, including if there was considered to be a need for any representations to be made at a national level. This issue will be revisited in due course when the committee's 2021/22 Work Plan is considered.

In the interim, it was agreed as part of the committee's 2019/20 Work Plan that a presentation be made to it on the admission policy and the appeals system. That presentation was made and noted by the committee in November 2019.

Note 5 (National External Audit Report: NHS in Scotland)

The *National External Audit Report: NHS in Scotland* was not published in time to provide feedback to the January 2020 meeting. Following its publication in January 2020, feedback was sought which is now being submitted to the committee on 25 June 2020.

Note 6 (Investigation on Climate Change - Final Draft Report, Conclusions and Recommendations)

The final report on the committee's investigation on Climate Change was approved on 12 March 2020. Issues relating to the Covid-19 emergency have prevented the report from being submitted to the Cabinet prior to the 2020 Summer recess. It is intended to submit the report to the Cabinet on 13 August. The date on which the Audit and Scrutiny Committee will seek a further report on this issue, in terms of its 2020/21 Work Plan, is subject to when a formal response to the report is submitted to the Cabinet, and its content such as in terms of timescales for implementing recommendations.

Note 7 (Operation of East Renfrewshire Culture and Leisure Trust)

On 21 November 2019, the committee noted the scope and timeline of the Best Value-type review of East Renfrewshire Culture and Leisure Trust which it considered a high priority for review, and that the findings would be reported to the committee in due course. The report remained to be finalised at the time of the committee's meeting in March 2020 and is now being submitted on 25 June 2020.

Note 8 (External Audit Reports - Various)

The most recent progress report on the 2019/20 Work Plan submitted to the committee reflected that it was anticipated that national external audit reports on the following issues would be published in time to allow feedback on them to be submitted to the committee as part of that Work Plan. Taking account of when these reports were published, feedback on both reports will now be submitted to the committee as part of the 2020/21 Work Plan:-

- Self-Directed Support
- Equal Pay in Scottish Councils

Note 9 (Withdrawal from European Union)

In February 2019 the committee considered feedback on a National External Audit Report on *Withdrawal from the European Union - Key Audit Issues for the Public Sector*. A report on the Council's Treasury Management Strategy for 2019/20, and the implications which Brexit might have for interest rates, Council borrowing, return on investments etc., has also been considered. Audit Scotland indicated that the scope, timing and any performance audit work relating to a further report it proposed to prepare on the *Withdrawal from the European Union* would be dependent upon developments.

In August 2019 the committee agreed to carry out a review regarding Brexit and the related financial implications as a medium priority issue, subject to further consideration of the timing of its commencement, having regard to the future outcome of UK Government discussions with the European Union (EU). It was also agreed that, in the first instance following the appointment of the Council's Brexit Coordinator, arrangements should be made for the postholder to meet with the committee to allow Members to take evidence/gather information on

Brexit issues. The post was to help co-ordinate and monitor progress on all aspects of Brexit, including internal preparedness and external liaison with appropriate bodies (including Scottish Government and Police Scotland), and involved reporting to Elected Members, the Corporate Management Team (CMT) and Council officials.

A report on issues relating to withdrawal from the EU was to have been submitted to the committee April 2020. In liaison with the Chair, taking account of the impact of the current emergency and related issues, a report on this issue will now be considered on 13 August 2020.

Note 10 (Graffiti Removal and Fly-tipping)

In August 2019 the committee agreed to review (1) graffiti removal; and (2) fly-tipping as medium priority issues. In the first instance it was agreed to undertake site visit(s) in the latter half of 2019/20 to gather information on the latest procedures and equipment being used for this by the Environment Department. However, subsequently, it was suggested that seeking briefings on these issues could be sufficient at least at this stage. Taking account of other priorities and issues relating to Covid-19 in terms of allowing the Environment Department to prioritise other matters, briefings on these issues remain to be requested. These will be pursued by the Clerk over the Summer recess and the feedback received will be circulated to Members of the Committee in due course.

Note 11 (Early Years Provision Policy)

In August 2019 the committee agreed that the new Early Years Provision policy was a low priority for review and that it, including the financial implications of it, be considered for review in the 2022/23 financial year, following completion of the current roll-out of the provision. This review will be considered as part of the committee's 2022/23 Work Plan.

Note 12 (Council Website/Communications with the Public)

In August 2019 the committee agreed to review the issue of the Council Website/Communications with the Public once the Council's new website, which was at that stage in the latter stages of development, had been operational for a given period. The matter was considered to be a low priority for review.

It was also agreed, prior to considering further when such a review may be appropriate, that in the interim a demonstration of the new website be organised for Elected Members to provide an opportunity for questions to be asked about it and its capabilities. The current situation regarding Covid-19 resulted in the launch of the new website being postponed and has also impacted on when and how a demonstration will be arranged by the Communications Manager. The launch and demonstration, which would be for all Elected Members, is under consideration but the final scheduling of both remains to be confirmed.

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Audit and Scrutiny Committee
Proposed 2020/21 Work Plan

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|--|---|--|
| 30 April 2020 | Meeting Cancelled due to Position on Covid-19 | Not Applicable | Not Applicable |
| 18 June 2020 | Meeting Cancelled due to Position on Covid-19 | Not Applicable | Not Applicable |
| 25 June 2020 | Unaudited Annual Accounts 2019/20 | Head of Accountancy | 25/6/20 |
| | East Renfrewshire Culture and Leisure Trust – Best Value Type Review (Note 7 of 2019/20 Work Plan above refers) | Chief Executive | 25/6/20 |
| | National External Audit Report - NHS in Scotland (Note 5 of 2019/20 Work Plan above refers) | Clerk in liaison with Chief Officer, Health and Social Care Partnership | 25/6/20 |
| | Internal Audit Plan 2019/20 - Implementation Progress – January to March 2020 | Chief Auditor | 25/6/20 |
| | Consultancy Costs and Related Log | Clerk to the Committee | 25/6/20 |
| | Audit and Scrutiny Committee Work Plans 2019/20 and 2020/21 | | 25/6/20 |
| 13 August 2020 | Code of Corporate Governance | Deputy Chief Executive | |
| | Annual Treasury Management Report 2019/20 | Head of Accountancy | |
| | Preparing for Withdrawal from the European Union and Related External Audit Report (Note 9 of 2019/20 Work Plan above refers) | Director of Environment in liaison with Clerk | |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|---|---|---|---|
| 13 August 2020 (Cont'd) | Local External Audit Report – East Renfrewshire Council Management Report 2019/20 <i>(See Note A below)</i> | External Auditor | |
| | National External Audit Report - Privately Financed Infrastructure Investment: The Non-Profit Distributing (NPD) and Hub Models <i>(Note 2 of 2019/20 Work Plan above refers)</i> | Clerk in liaison with Director of Environment | |
| | National External Audit Report - Early Learning and Childcare Follow-Up | Clerk in liaison with Director of Education | |
| | National External Audit Report - Self-Directed Support - 2017 Progress Report - Impact Report <i>(Note 8 of 2019/20 Work Plan above refers)</i> | Clerk in liaison with Chief Officer, Health and Social Care Partnership | |
| | Public Sector Internal Audit Standards (PSIAS) Internal Self-Assessment | Chief Auditor | |
| | Internal Audit Annual Report 2019/20 | | |
| | Revised Internal Audit Plan 2020/21 | | |
| | Internal Audit Plan 2020/21 - Implementation Progress – April to June 2020 | | |
| Committee's Specialisation Arrangements for Dealing with Internal and External Audit Reports & Inspection Reports | Clerk to the Committee | | |
| 24 September 2020 | 2019/20 Annual Accounts for Council's Charitable Trusts and External Audit International Standard on Auditing 260 Report | Head of Accountancy and External Auditor | |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|---|---|--|
| 24 September 2020 (cont'd) | 2019/20 Annual Accounts and Draft Annual Audit Report for East Renfrewshire Council | Head of Accountancy and External Auditor | |
| | Strategic Risk Register and Risk Management Progress – Biannual Report | Chief Executive | |
| | National Fraud Initiative | Head of Communities, Revenues and Change | |
| | East Renfrewshire Council Annual Fraud Statement 2019/20 | Chief Executive | |
| | Managing Absence – 2019/20 Annual Report | Deputy Chief Executive | |
| | Summary of Early Retirement/ Redundancy Costs to 31 March 2020 | | |
| | National External Audit Report - Impact of September 2017 Audit on Equal Pay in Scottish Councils | Clerk in liaison with Deputy Chief Executive | |
| | National External Audit Report - National Performance Audit on Affordable Housing | Clerk in liaison with Director of Environment | |
| | National External Audit Report - Local Government Overview Report for 2019/20 | Clerk in liaison with Deputy Chief Executive | |
| | Update on Audit and Scrutiny Committee Work Plan 2020/21 | Clerk to the Committee | |
| 19 November 2020 | Interim Treasury Management Report 2020/21 | Head of Accountancy | |
| | Internal Audit Plan 2020/21 – Implementation Progress – July to September 2020 | Chief Auditor | |
| 18 February 2021 | Treasury Management Strategy 2020/21 | Head of Accountancy | |

| Planned Report Date | Report Subject | Report by | Date Considered by Audit & Scrutiny Committee |
|----------------------------|--|------------------------|--|
| 18 March 2021 | Strategic Risk Register and Risk Management Progress - Biannual Report | Chief Executive | |
| | Audit and Scrutiny Work Plan 2019-20 Progress and 2020/21 Work Plan | Clerk to the Committee | |
| | Internal Audit Strategic Plan 2021/22 – 2025/26 | Chief Auditor | |
| | East Renfrewshire Council - Annual Audit Plan 2020/21 | External Auditor | |

Note A (East Renfrewshire Council Management Report 2019/20)

Due to the current emergency, the East Renfrewshire Council Management Report 2019/20 will be completed and submitted to the committee on 13 August rather than in June