AGENDA ITEM No. 5

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

27 September 2018

Report by Head of Accountancy (Chief Financial Officer)

2017/18 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST RENFREWSHIRE COUNCIL

PURPOSE OF REPORT

1. The Audit of the Council's Annual Accounts for 2017/18 has been completed and a copy of the Accounts is now submitted for consideration by the Audit and Scrutiny Committee. In addition, the draft Annual Audit Report to the Council and the Controller of Audit for 2017/18 has been prepared by the External Auditors and a copy of the report is attached for consideration. This makes reference to the International Standard on Auditing (ISA) 260 report to those charged with governance.

RECOMMENDATION

2. The Committee is invited to: -

- Consider the draft 2017/18 Annual Audit Report to the Council and the Controller of Audit and related ISA 260 report;
- Note and comment on the content of the Council's Annual Accounts for 2017/18; and
- Remit the report to Council for consideration.

BACKGROUND

3. The external audit of the Council's Annual Accounts for 2017/18 has now been completed and the Council has been awarded an audit certificate which has no qualifications. A copy of the Accounts is attached as Appendix 1.

REPORT

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

- An overall surplus for the financial year of £5,072k is recorded in the Accounts. After transfers to earmarked reserves a sum of £379k has been added to the Council's non-earmarked General Fund reserve. This results in a balance of £10,133k as at 31 March 2018 representing 4.3% of the annual budgeted net revenue expenditure which equates to the Council's policy and includes £681k in respect of Scottish Government grant received at the end of the financial year for use in 2018/19.

- Transfers totalling £4,600k were made from the General Fund balance to the following reserves:-

o	Capital Reserve	£3,300k
o	Modernisation Fund	£1,000k
o	Repairs and Renewal Fund	£100k
o	Equalisation Reserve	£200k

- Capital Expenditure of £53,207k was invested.

- An operating surplus of £385k was made on the Housing Revenue Account, this increasing accumulated surpluses brought forward on that Account to £1,629k.

DRAFT ANNUAL AUDIT REPORT AND RELATED ISA 260 REPORT

5. A copy the draft Annual Audit Report, which provides an overview of the main issues arising from the 2017/18 Audit of the Council, has been prepared along with the associated ISA 260 report to those charged with governance. The Committee is invited to consider the documents. The External Auditors will be attending the Audit and Scrutiny Committee meeting to speak to and discuss these. The finalised Annual Audit Report will be circulated to members in due course.

RECOMMENDATION

6. The Committee is invited to: -

- Consider the draft 2017/18 Annual Audit Report to the Council and the Controller of Audit and related ISA 260 report;

- Note and comment on the content of the Council's Annual Accounts for 2017/18; and

- Remit the report to Council for consideration.

REPORT AUTHOR

Head of Accountancy - Margaret McCrossan
Chief Accountant - Barbara Clark Tel 0141 577 3068
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BACKGROUND PAPERS

This report refers to the Council's Annual Accounts for 2017/18 and the External Auditor's Annual report to the Council and the Controller of Audit for 2017/18.

KEY WORDS

Annual Accounts, external audit

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Audit and Scrutiny Committee

27 September 2018

East Renfrewshire Council
Audit of 2017/18 annual accounts

Independent auditor's report

1. Our audit work on the 2017/18 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matter referred to later in this letter and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 28 September 2018 (the proposed report is attached at **Appendix A**).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Committee's consideration our draft annual report on the 2017/18 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.
3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.
4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.
6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

7. In presenting this report to the Audit and Scrutiny Committee we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.

Representations from Section 95 Officer

8. As part of the completion of our audit, we are seeking written representations from the Section 95 Officer on aspects of the annual accounts, including the judgements and estimates made.

9. A draft letter of representation is attached at **Appendix B**. This should be signed and returned to us by the Section 95 Officer with the signed annual accounts prior to the independent auditor's report being certified.

Outstanding matter

10. We have yet to receive the component auditor assurance in respect of the 2017/18 audit of Strathclyde Partnership for Transport which is included in the council's group accounts.

APPENDIX A: Proposed Independent Auditor's Report

Independent auditor's report to the members of East Renfrewshire Council and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Renfrewshire Council and its group for the year ended 31 March 2018 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and council-only Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account, Council Tax, National Non Domestic Rates, and the Common Good Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the council and its group as at 31 March 2018 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Head of Accountancy (Chief Financial Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Head of Accountancy (Chief Financial Officer) and the Audit and Scrutiny Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Accountancy (Chief Financial Officer) is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Accountancy (Chief Financial Officer) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Accountancy (Chief Financial Officer) is responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Audit and Scrutiny Committee is responsible for overseeing the financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor’s responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor’s report.

Other information in the annual accounts

The Head of Accountancy (Chief Financial Officer) is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and my auditor’s report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinions on matters prescribed by the Accounts Commission

In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.
In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell MA CPFA
Audit Director
Audit Scotland
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28 September 2018

APPENDIX B: Letter of Representation (ISA 580)

David McConnell, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
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Dear David

East Renfrewshire Council
Annual Accounts 2017/18

1. This representation letter is provided about your audit of the annual accounts of East Renfrewshire Counicl for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of East Renfrewshire Council's annual accounts for the year ended 31 March 2018.

General

3. East Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2017/18 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by East Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.

4. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements.

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (2017/18 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the East Renfrewshire Council and its Group at 31 March 2018 and the transactions for 2017/18.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2017/18 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to East Renfrewshire Council circumstances and have been consistently applied.

8. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

Going Concern Basis of Accounting

9. I have assessed East Renfrewshire Council's and its Group's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on East Renfrewshire Council's and its Group's ability to continue as a going concern.

Assets

10. The assets shown in the Balance Sheet at 31 March 2018 were owned by East Renfrewshire Council, other than assets which have been purchased under finance lease. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements

11. As a rolling programme of asset valuations (excluding social housing) has been used, I have satisfied myself that the carrying amount of assets at 31 March 2018 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

12. I carried out an assessment at 31 March 2018 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

13. The council has recognised a Common Good Fund and has fully disclosed all of the relevant assets as Common Good in the asset register. A review has been completed the council's legal team and has confirmed all required titles have been recognised as common good.

14. Of the titles available to me, I am satisfied that no common good land has been alienated, whether by long lease or disposal by East Renfrewshire Council without appropriate authority.

15. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2018.

16. There are no plans or intentions that are likely to affect the carrying value or classification of the assets recognised within the financial statements.

Liabilities

17. All liabilities at 31 March 2018 of which I am aware have been recognised in the annual accounts.

18. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2018 of which I am aware where the conditions specified in the 2017/18 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2018. Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

19. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2018 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

20. The accrual recognised in the financial statements for holiday untaken by 31 March 2018 has been estimated on a reasonable basis.

21. The pension assumptions made by the actuary in the IAS 19 report for East Renfrewshire Council have been considered and I confirm that they are consistent with management's own view.

22. The liabilities included in the financial statements have been recognised, measured, presented and disclosed in accordance with the 2017/18 accounting code.

23. There are no plans or intentions that are likely to affect the carrying value or classification of the liabilities recognised in the financial statements.

Contingent liabilities

24. There are no significant contingent liabilities, other than those disclosed in Note 39 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and IAS 37.

Fraud

25. I have provided you with all information in relation to:

- my assessment of the risk that the financial statements may be materially misstated because of fraud
- any allegations of fraud or suspected fraud affecting the financial statements
- fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

Laws and Regulations

26. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Related Party Transactions

27. All material transactions with related parties have been disclosed in the financial statements in accordance with the 2017/18 accounting code. I have made available to you the identity of all

the East Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

28. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Amendment Regulations 2014, and all required information of which I am aware has been provided to you.

Management commentary

29. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

Corporate Governance

30. I confirm that East Renfrewshire Council has undertaken a review of the systems of internal control during 2017/18 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

31. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2018, which require to be reflected.

Group Accounts

32. I have identified all the other entities in which East Renfrewshire Council has a material interest and have classified and accounted for them in accordance with the 2017/18 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

33. All events subsequent to 31 March 2018 for which the 2017/18 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Section 95 Officer

East Renfrewshire Council

Draft 2017/18 Annual Audit Report

AUDIT SCOTLAND

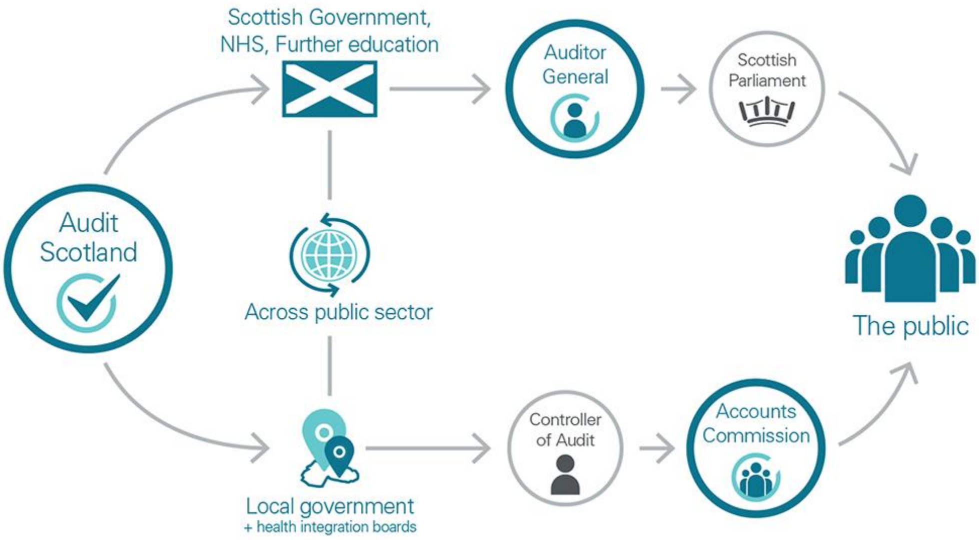
Prepared for the Members of East Renfrewshire Council and the Controller of Audit

27 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

Contents

Key messages

2017/18 annual accounts

1 In our opinion, East Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared;

2 The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

3 The statement of accounts of the seven section 106 charities administered by the Council are free from material misstatement.

Financial management

4 Financial management is effective with scope for improvements in ensuring the accuracy of initial revenue budgets.

5 Our testing of the design and operation of the financial controls over significant risk points confirmed that controls relating to financial systems and procedures are designed appropriately and operating effectively.

Financial sustainability

6 The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.

7 The council has developed and approved its savings plans for the next three years to support its financial position.

Governance and transparency

8 The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.

9 The Council is open and transparent in many of the aspects in which it conducts its business and the public can attend meetings of the Council and its standing committees.

Best value

10 The Best Value Assurance Report was published in November 2017 and our follow up work indicates that the council have acknowledged the findings of the Best Value audit and have been proactive in identifying actions which will address the recommendations made. The Best value review and the council's response have had a notable impact in supporting continuous improvement at the council.

11 There are a number of significant ongoing transformation projects which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives.

Introduction

1. This report summarises the findings arising from the 2017/18 audit of East Renfrewshire Council and its group (the Council).

2. The scope of the audit was set out in our Annual Audit Plan presented to the 08/03/2018 meeting of the Audit and Scrutiny Committee. This report comprises the findings from:

- an audit of the annual accounts
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the *Code of Audit Practice 2016* as illustrated in Exhibit 1.

Exhibit 1
Audit dimensions

Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2017/18 have been:

- an audit of the Council and its group 2017/18 annual accounts and the statement of accounts of the seven section 106 charities administered by the Council including the issue of independent auditor's reports setting out our opinions
- a review the Council's key financial systems
- follow up audit work covering the Council's arrangements for securing Best Value as reported in the Best Value Assurance Report issued in November 2017
- consideration of the four audit dimensions
- Housing Benefit Performance Audit

4. The Council has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

5. The Council is also responsible for compliance with legislation, and putting arrangements in place for governance, propriety and regularity that enable it to successfully deliver its objectives.

6. Our responsibilities as independent auditor appointed by the Accounts Commission are established by the Local Government in Scotland Act 1973, the *Code of Audit Practice (2016)* and supplementary guidance, and International Standards on Auditing in the UK.

7. As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the Council's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. We also report on the Council's best value arrangements and in doing this we aim to support improvement and accountability.

8. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

9. This report raises matters from the audit of the annual accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to their attention during our normal audit work and may not be all that exist. Communicating these does not absolve management from its responsibility to address the issues we raise and to maintain adequate systems of control.

10. Our annual audit report contains an agreed action plan at Appendix 1 setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.

11. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and the 2017/18 audit fee of £221,960 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

12. Our aim is to add value to East Renfrewshire Council by providing insight into, and offering foresight on, financial sustainability, risk and performance by identifying areas of improvement and recommending and encouraging good practice. In so doing, we aim to help the council promote improved standards of governance, better management and decision making and more effective use of resources.

13. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.

14. We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts

Main judgements

In our opinion, East Renfrewshire Council and its group financial statements give a true and fair view and were properly prepared;

The audited part of the remuneration report, management commentary and annual governance statement are all consistent with the financial statements and prepared in accordance with proper accounting practices.

The statements of accounts of the seven section 106 charities administered by the Council are free from material misstatement.

Audit opinions on the annual accounts

The Council and its group annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of resources.

15. The annual accounts for the Council and its group for the year ended 31 March 2018 were approved by the Council on 21/06/ 2018. We reported, within our independent auditor's report that, in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the guidance

16. We have nothing to report in respect of misstatements in the other information in the financial statements, the adequacy of accounting records, the information and explanations we received, or the achievement of prescribed financial objectives.

Audit opinions on section 106 charities

17. Due to the interaction of section 106 of the Local Government in Scotland Act 1973 with the charities legislation, a separate independent auditor's report is required for the statement of accounts of each registered charity where members of East Renfrewshire Council are sole trustees, irrespective of the size of the charity.

18. Although the Council has not progressed a reduction in the number of trusts, the Council are continuing to promote local awareness of the funds available to local residents and all but two of the trusts made grant awards in 2017/18

19. We received the charities' accounts in line with the agreed timetable and after completing our audit we reported in our independent auditor's reports that, in our opinion:

- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation

- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

Submission of the Council and its group annual accounts for audit

20. We received the unaudited annual accounts on 21/06/2017 in line with the audit timetable set out in our 2017/18 Annual Audit Plan.

21. The working papers provided with the unaudited accounts were of a good standard and finance staff provided good support to the audit team during the audit. This helped ensure that the audit of the annual accounts process ran smoothly.

Whole of Government Accounts

22. The Council submitted a consolidation pack for the whole of government accounts audit on 26 June 2018 in line with the deadline. This will not be subject to audit as the levels of both expenditure and the value of gross assets less Property, plant & equipment, heritage assets, intangibles, investments property and assets held for sale fall below the audit thresholds.

Risk of material misstatement

23. Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team and the wider audit dimension risks identified.

Materiality

24. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement and involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

25. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit and is summarised in Exhibit 2. With regards to the annual accounts, we assess the materiality of uncorrected misstatements both individually and collectively.

26. On receipt of the annual accounts we reviewed our planning materiality calculations and concluded that they remained appropriate.

Exhibit 2
Materiality values

Materiality level	Amount
Overall materiality	£3.071 million
Performance materiality	£1.536 million
Reporting threshold	£30 thousand

Source: Audit Scotland, Annual Audit Plan 2017/18

How we evaluate misstatements

27. It is our responsibility to request that all errors above the reporting threshold are corrected although the final decision on this lies with those charged with governance considering advice from senior officers and materiality. Management propose to adjust the financial statements for the following items highlighted from the audit. The net effect of these changes is to increase net worth recorded in the balance sheet by £30.982 million.

- Council Housing Stock Valuation: an increase to the net value of the council's housing stock of £19.328 million to reflect the valuation set by the Valuer (refer Finding 1 Exhibit 3)

- Net pension liability: a decrease of £8.891million to the net pension liability to reflect a more up to date estimate by the Actuary of the value of pension fund assets at 31 March 2018 (refer Finding 2 Exhibit 3). There was also a change to the Group Accounts to reflect the revised net pensions liability relating to the East Renfrewshire Leisure Trust and other smaller scale combining entities such as the Renfrewshire Joint Valuation Board.

- Valuation of Eastwood Office Accommodation: an increase of £2.585 million to the valuation of Land and Buildings at 31 March 2018 to include the up to date valuation of the Eastwood Offices which had been omitted from the unaudited accounts (refer Finding 3 Exhibit 2)

- Reallocation of asset values: to ensure the accuracy of the asset classifications, £0.148 million was reallocated from buildings to plant and equipment.

28. The audit also highlighted the need to enhance some disclosures in the Annual Governance Statement to ensure the statement fully reflected the findings of the Internal Audit reports issued during the year.

29. All individual misstatements which exceed our reporting threshold have been amended in the audited financial statements. There are no unadjusted errors which we wish to bring to your attention.

Significant findings from the audit in accordance with ISA 260

30. International Standard on Auditing 260 (UK) requires us to communicate significant findings from the audit to those charged with governance. These are summarised in Exhibit 3. Where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included.

31. The findings include our views about significant qualitative aspects of the Council's accounting practices including:

- Accounting policies
- Accounting estimates and judgements
- Significant financial statements disclosures
- Timing of transactions and the period in which they are recorded
- The impact on the financial statements of any uncertainties
- The effect of any unusual transactions on the financial statements
- Misstatements in the annual accounts
- Disagreement over any accounting treatment or financial statements disclosure

Exhibit 3

Significant findings from the audit of the financial statements

Finding	Resolution
1. Housing Stock Valuation In 2017/18 the council introduced for the first time a rolling 5-year valuation programme. The council had previously valued all assets every year. Although the housing stock was to be included in Year 2 (2018/19) of the valuation programme, the Valuer had revalued the stock at 31 March 2018. This valuation had not been reflected in the unaudited financial statements. The value of the council's housing stock was £19.328 million higher than the value included in the unaudited accounts. The Valuer was not required to provide a formal valuation certificate in support of the value of the council's assets at 31 March 2018.This is contrary to the requirements of the Code of Practice on Local Authority Accounting (the Code) .	The accounts have been adjusted to reflect the correct valuation of council houses at 31 March 2018. The council has decided to value housing stock on an annual basis and this will be outwith the remaining asset valuation programme. In line with the Code, going forward there will be formal agreements with the Valuer on those assets to be valued as part of the rolling programme and the Valuer will provide a formal valuation certificate to support the asset values included in the financial statements. Action plan (Appendix 1, point 1)
2. Net Pension Liability The council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19). This relies on valuations of pension fund assets and liabilities by the actuary. The timing of actuarial reports means that actuaries produce their IAS 19 reports using estimated data for the final part of the year. Asset returns estimated by the actuary for the final part of 2017/18 were significantly lower than actual returns. This resulted in pension fund assets reported in the council's balance sheet being understated by £8.891 million. The council's share of pension asset value has increased by £8.891 million. This has resulted in the net pension liability in the balance sheet decreasing from £91.345 million to £82.454 million, with a matching increase in unusable reserves. Similar adjustments have been made for group entities who are admitted bodies in the Strathclyde Pension Fund. These adjustments have no impact on the General Fund reserve balance This is an issue which affected pension funds, councils and other public bodies across Scotland.	The accounts have been adjusted to reflect the council's share of the pension fund assets based on the latest valuation at 31 March 2018. This has the impact of reducing the pension fund liability and increasing the pension reserve by £8.891 million. As local government accounting regulations require the general fund to be charged with amounts payable to the pension fund or directly to pensioners during the year rather than amounts calculated according to IAS19, this adjustment does not impact the outturn for the year or the general fund balance.
3. Valuation of Eastwood Office The council introduced a rolling 5-year valuation programme in 2017/18. For the first year of this programme the assets to be revalued were schools, health centres and large office accommodation. The unaudited accounts did not include a valuation for the Eastwood Council office as required by the valuation programme. The valuation of this office had increased by £2.585 million at 31 March 2018.	The updated valuation has been amended in the updated financial statements.

Source: Audit Scotland

Good practice in financial reporting

32. The annual report and accounts reflect good practice as set out in Audit Scotland on 'Improving the quality of local authority accounts – expenditure and funding analysis'.

Follow up of prior year recommendations

33. We have followed up actions previously reported and assessed progress with implementation, these are reported in Appendix 1 and identified by the prefix b/f (brought forward).

34. In total, seven agreed actions were raised in 2016/17. Of these:

- 3 have been fully implemented
- 4 have only partly been actioned

35. Overall the Council has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management as set out in Appendix 1.

Integration Joint Board

36. For the third year the Council included its share of the financial transactions of East Renfrewshire Integration Joint Board (the IJB) within its group financial statements.

37. The preparation of the financial statements of the IJB relies on the provision of information from the financial systems of East Renfrewshire Council and NHS Greater Glasgow and Clyde (NHSGGC). Our financial systems controls work, and substantive testing of transactions allowed us to provide the IJB auditors with assurances on the completeness and accuracy of the financial information that the council provided to the IJB. In the same way the NHSGGC auditors have provided assurances on the completeness and accuracy of the financial information that the health board provided to the IJB. This provides us with assurances on the accuracy and completeness of IJB figures included in the council's group accounts.

Other findings

38. Our audit identified several presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Objections

39. The Local Authority Accounts (Scotland) Regulations 2014 require a local authority to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the accounts.

Part 2

Financial management

Main judgements

Financial management is effective with scope for improvements in ensuring the accuracy of initial revenue budgets.

Our testing of the design and operation of the financial controls over significant risk points confirmed that controls relating to financial systems and procedures are designed appropriately and operating effectively.

Financial performance in 2017/18

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively

40. In February 2017 the Council approved a budget of £227.968 million for 2017/18. While the Council has a good track record in delivering services within budget, it has a history of returning significant unplanned underspends against the revenue budget.

41. The financial statements record an underspend of £7.363 million in the general fund against the original approved budget which originally provided for a transfer of £2.8 million from the general fund.

42. All service departments within the council have reported an underspend during 2017/18. The main reasons reported to members on the reasons are similar to those reported in 2016/17 namely:

- The management of vacancies across the council
- Reduced borrowing costs
- Early achievement of savings
- Over recovery of income collected principally from council tax and education

43. The council has carried out a specific review of the reasons behind the continuing budget underspends and have reviewed contingency budgets and moved centralised budgets into departments to better reflect spend. In addition, we note that reporting to members has improved during 2017/18, with the projected budget outturn reported to members in April 2018 being more in line with the final outturn reported in June 2018. We will keep under review the council's progress in minimising the levels of unplanned budget underspends.

Housing revenue account

44. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to at least cover the costs of its social housing provision. Rent levels are therefore a direct consequence of the budget set for the year.

45. The Housing Revenue Account returned a budget underspend in 2017/18 of £0.385 million (2.8% of expenditure). This surplus has been used to increase the Housing revenue account reserve, which at 31 March 2018 was £1.629 million.

Efficiency savings

46. With reduced funding from government and increased demand for financial services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

47. The Council achieved its planned savings of £7.035 million in 2017/18 primarily through service redesign, a reduction in IJB funding and an increase in fees and charges. The council has identified a savings requirement of £28.581 million for the 3 year period 2018/19-2020/21

48. The Council is required to make an unaudited annual return to the Scottish Government in respect of recurring efficiency savings. The annual efficiency statement was presented to the Cabinet on 16/08/18 and records efficiency savings of £4.605 million.

49. There will be continuing financial pressures on the council from increasing demands on services and possible reducing levels of funding.

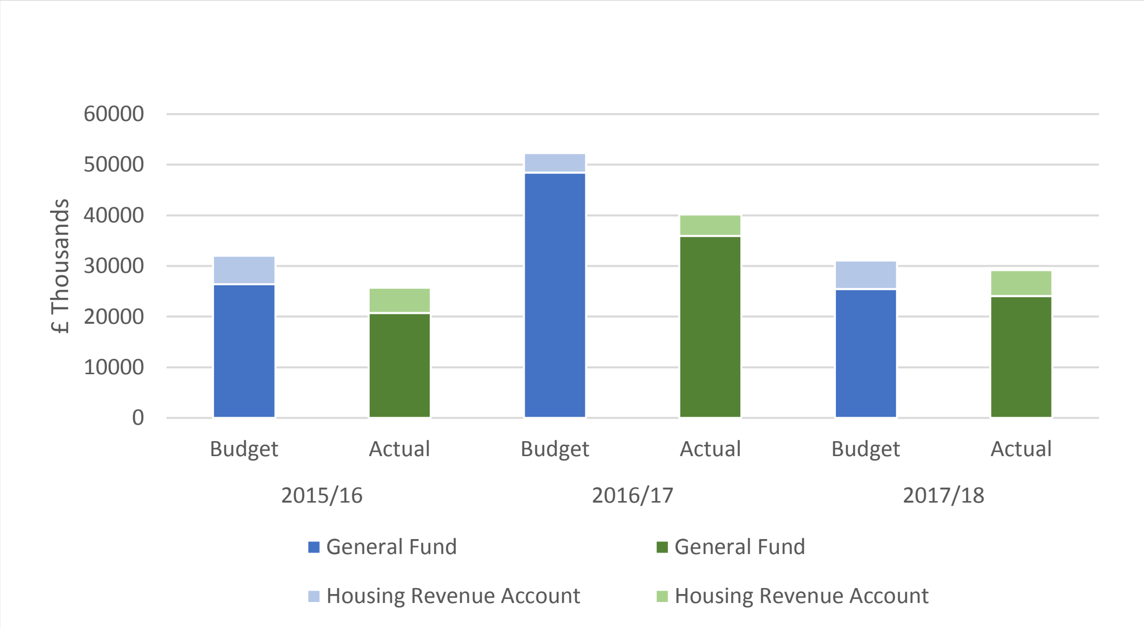
Capital programme 2017/18

50. As reported in the financial statements, total capital expenditure in 2017/18 was £53.207 million, of which £48.088 million related to general services and £5.119 million to housing services. Approximately 50% of the capital spend on general fund services was in respect of the Council's PPP programme and the new build Barrhead High school which opened in August 2017.

51. The 2017/18 capital programme approved by members in February 2017 totalled £43.965 million (£35.684 million for the general fund and £8.281 million for housing). The capital programme is updated and reprofiled throughout the year and regular budget monitoring reports are presented to the Cabinet. The final 2017/18 capital monitoring report to Cabinet in March 2018 approved a total capital programme of £31.067 million (£25.473 million for general fund and £5.594 million for housing). This is approximately £12.898 million or 29% less than the original capital plan approved in February 2017.

52. Actual capital spend in 2017/18 was £29.167 million. This was £1.9 million or 6% below the final budgeted value of £ 31.067 million. The Council has a history of underspends against the capital budget as outlined in Exhibit 4.

Exhibit 4
Capital underspends compared to budget (general fund and HRA)



Source: Audited Financial Statements

53. The most significant areas of underspends in capital in 2017/18 were:

- City Deal projects due to ongoing negotiations with Scottish Water and Transport Scotland
- various IT projects due to delays in the timing of pilot projects, testing of systems and ongoing service redesign

54. In both 2016/17 and 2017/18 the council has funded a significant proportion of capital expenditure from the capital reserve. This was a planned use of the capital reserve which reduced the need for borrowing.

Borrowing in 2017/18

55. The Council's outstanding loans at 31st March 2018 were £177.357 million, an increase of £37.074 million from 2017/18. The main reason for this increase is the liability for the new Barrhead High School that opened in August 2017. This school is part of the Scotland's Schools for the future programme non-profit distribution model. Exhibit 5. highlights the movement on debt in the year.

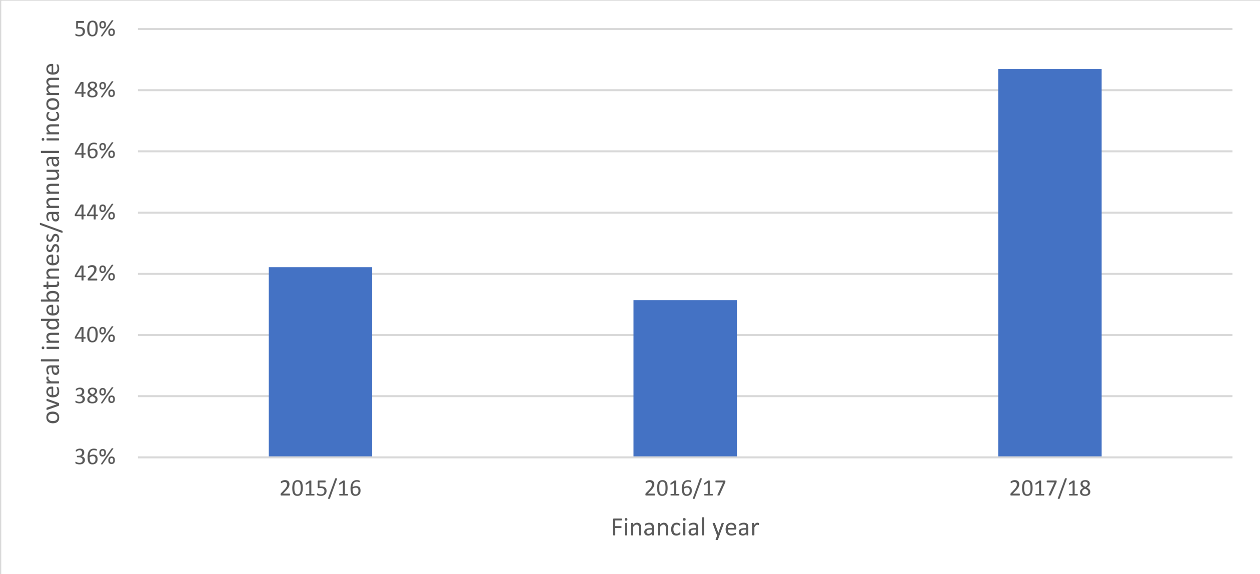
56. The council continues to have one of the lowest levels of debt across other local authorities. However, as reported in the November 2017 BVAR, the level of PFI and PPP debt is proportionally higher compared to other councils.

57. The future revenue commitment to the council over the term of the PFI and PPP contracts was £169 million (£132 million 2016/17) and represents a significant future pressure on budgets. The current PFI/PPP contracts are due to end between 2026 and 2042. The council maintains an equalisation fund which is held for future affordability gaps with PFI/PPP expenditure. The balance on the fund at 31 March 2018 was £2.558 million. This reserve is kept under continuing review.

58. Total external debt (which includes the Council's long-term liabilities) was within the authorised limit and operational boundary of £207.270 million set by the treasury management strategy. The council assess the current borrowing position as prudent and the Council will continue to consider the affordability of future borrowing.

Exhibit 5

Overall indebtedness as a percentage of annual income over past 3 years



Source: East Renfrewshire Council Audited Financial Statements

Budgetary process

59. The *Local Government in Scotland: Financial overview 2016/17* (November 2017) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important to those Councils with decreasing (or low levels) of usable reserves to rely on. It is considered good practice that a Council's budget and savings plans are aligned to agreed strategic priorities. The BVAR made a recommendation that the council should adopt a more strategic and coordinated approach to planning and managing corporate resources and transformation programmes, to encompass financial strategies and plans, workforce plans and asset management. We have considered the council's progress in these areas as part of our follow up of the BVAR. Exhibit 9

60. Financial forecasting is now an embedded part of the budget setting process within the council. The council has a three-year financial plan which is approved annually as part of the budget setting and which reports on various funding scenarios.

61. Scrutiny of financial performance is delegated to the Cabinet which receives regular revenue and capital monitoring reports. From our review of these reports and attendance at Cabinet meetings, we concluded that they allow both members and officers to carry out scrutiny of the Council's finances. Following the publication of the BVAR in November 2017, we have noted an improvement in the scrutiny by members of the reported budget underspends.

Systems of internal control

62. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant to produce the financial statements. Our objective is to gain assurance that the Council has systems of recording and processing transactions which provide a sound basis for the preparation of the financial statements.

63. Our findings were included in our management letter/report that was presented to the Audit and Scrutiny Committee on 21/06/2018. We concluded that the controls tested were operating effectively, with some scope for strengthening processes in a number of areas. Overall no significant internal control weaknesses were identified during the audit which could affect the Council's ability to record, process, summarise and report financial and other relevant data to result in a material misstatement in the financial statements

ICT controls

64. We identified in both our 2016/17 and 2017/18 Annual Audit Plans that the Council's arrangements for disaster recovery and business continuity were potential areas of risk.

65. The council's ICT Disaster recovery plan is now out of date following the implementation of a new data centre in 2017/18. The council has completed a disaster recovery exercise and a revised recovery plan is currently being developed.

66. The council is currently completing a review of its business continuity plans. A list of critical applications is being developed. However, these need further testing to ensure that these plans are realistic and achievable. Currently a number of the target recovery times recorded in the business continuity plans may be difficult to meet.

67. There is a risk that until the full implementation of the revised disaster recovery plan and the revised business continuity plans that the council suffers a loss of data and potential disruption to services.

Action plan (Appendix 1, point b/f 5)

68. We also highlighted in our 2017/18 Annual Audit Plan that the delay in appointing an Information Security Officer had impacted on the issue of an updated Information Security Policy. It is noted that while an Information Security Officer was appointed in May 2018, a revised Information Security Policy has yet to be implemented.

69. There is a risk that if the council's information security policy is not kept current then it will not keep pace with any potential, new or emerging threats.

Action plan (Appendix 1, point b/f 6)

Financial capacity

70. The Section 95 officer is the officer with responsibility for finance, and is a member of the corporate management team with direct access to the chief executive and Council members. We concluded that the Section 95 officer has appropriate status within the Council.

71. We reported in the BVAR that due to significant change and transformation programme that there were pressures on the capacity of staff. This continued to be the case during 2017/18 with consultants being engaged by the council to provide short-term assistance in the development of a number of programmes. The commissioning and implementation of the council's new core corporate systems (Finance, Procurement, Human Resources and Payroll) will be very resource intensive and is likely to place considerable pressures on staff capacity.

72. It is important that members receive adequate training on how the Council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. The council has provided additional training to members on scrutiny and a joint session was provided to members by Internal Audit and External Audit on the role of audit.

Good practice

73. In October 2017 the council launched a public consultation on its proposals for making budget savings of £26 million. The outcome of this consultation has been taken into account in the budget papers which were approved by members, with evidence of originally planned areas of savings being withdrawn to reflect the findings of the consultation exercise.

Part 3

Financial sustainability

Main judgements

The Council and its group financial position is sustainable in the foreseeable future although rising demand, increasing costs of services and reductions to central funding will continue to place a strain on the Council's capacity to deliver services at the current levels.

The council has developed and approved its savings plans for the next three years to support its financial position.

Financial planning

74. It is important that long-term financial strategies (typically covering five to ten years) are in place which link spending to the Council's strategies. Although members only approve the budget for a single year, this should be supported by indicative future spending plans (covering three years at least) that forecast the impact of relevant pressures on the Council

75. The council has produced a 5-year Financial Plan covering 2017-2022. This was approved by council at the budget setting meeting and is updated annually. This provides additional context to the various economic and demographic challenges that the council may face over the period of its financial plan.

76. The Accounts Commission recommended that when future Scottish Government funding is not known, councils should plan for a range of scenarios, so they are prepared for different levels of funding and income. The council has applied this approach and included a range of different funding level scenarios in its financial plan.

Financial sustainability looks forward to the medium and long term to consider whether the council is planning effectively to continue to deliver its services or the way in which they should be delivered

Funding position and savings plans

77. The Council approved its 2018/19 budget and indicative 2019/20 and 2020/21 budgets in March 2018. The total savings requirement for the period 2018-21 is £28.581 million. Of the £28.581 million, savings plans have been approved for £20.260 million and the council is proposing council tax increases and use of reserves to fund the gap. There remains £1.917 million in the 2020/2021 budget for which savings plans have yet to be agreed.

78. The budget for 2018/19 was set at £234.455 million with a savings requirement of £6.397 million. Plans to deliver these savings include £1.567 million from council tax increase; £0.448 million transfer from reserves; and £4.382 million from savings. There is a planned £1.052 million transfer from reserves for key investments in services in 2018/19

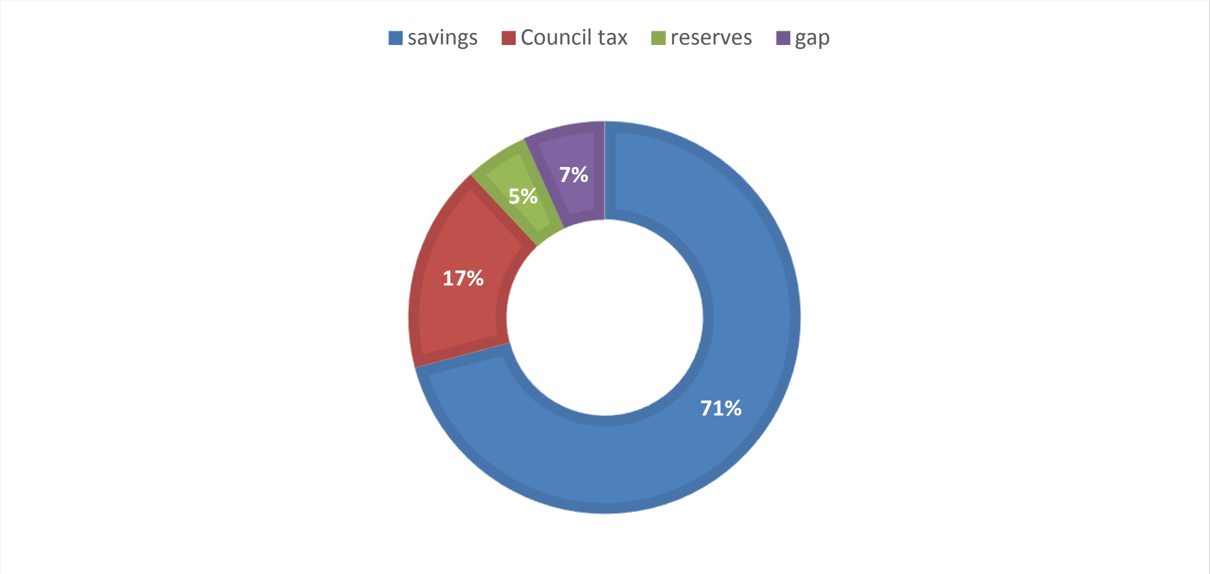
79. The Council is facing several challenges in maintaining a sustainable financial position in future. These include rising demands for services, increasing cost of services and reductions in local government funding.

80. Looking at the Council's financial projections for 2019/20 and 2020/21, it is forecasting the need for savings of £12.127 million and £10.057 million respectively. The Council plans to deliver these savings mostly by council tax increases, planned transfers from reserves and efficiency programmes. The council has already identified plans for securing most of the required savings over the three years to 2020/21. The level of unidentified savings is £1.917 million in 2020/21. Exhibit 6.

81. Of £20.260 million of savings identified, £9.6 million are identified as being from the council transformation programme, MAP and other efficiencies. As mentioned earlier in this report, the council engaged in a public consultation exercise in October and November to on the planned savings. Following this exercise, savings of £7.7 million were reduced or deferred

Exhibit 6

Shortfalls in identified savings 2018/19 – 2020/21



Source: East Renfrewshire Council Revenue Estimates 2018/19

New Financial Powers

82. The provisions of the 2012 and 2016 Scotland Acts and the accompanying Fiscal Framework agreement are leading to fundamental changes to the Scottish public finances. New tax raising, borrowing and social security powers will mean that the Scottish budget will be subject to greater volatility, uncertainty and complexity. Proposals have been made for changes to the Scottish Budget process, with these likely to be introduced for the 2019/20 budget. The Scottish Government has published a Five Year Financial Strategy.

83. Further changes will follow, including increasing expectations that public bodies report on their contribution towards the national outcomes in their published plans and performance reports.

84. Overall, we concluded that the Council is facing a challenging situation in the short term. Rising costs, ending of the public sector pay cap combined with potential decreases in funding and dependency on efficiency savings will make it difficult to achieve financial balance.

85. The medium to longer term financial position is difficult to predict given the uncertainty around EU withdrawal and New Financial Powers and future funding settlements. The Council needs to consider and plan for these events using all the information it has at its disposal and reflect this as part of scenario planning included in future financial plans.

Reserves

86. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £53.609 million in 2016/17 to £49.857 million in 2017/18 as illustrated in Exhibit 7.

87. The general fund is the largest reserve. This reserve is used to fund the delivery of services. It provides a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows.

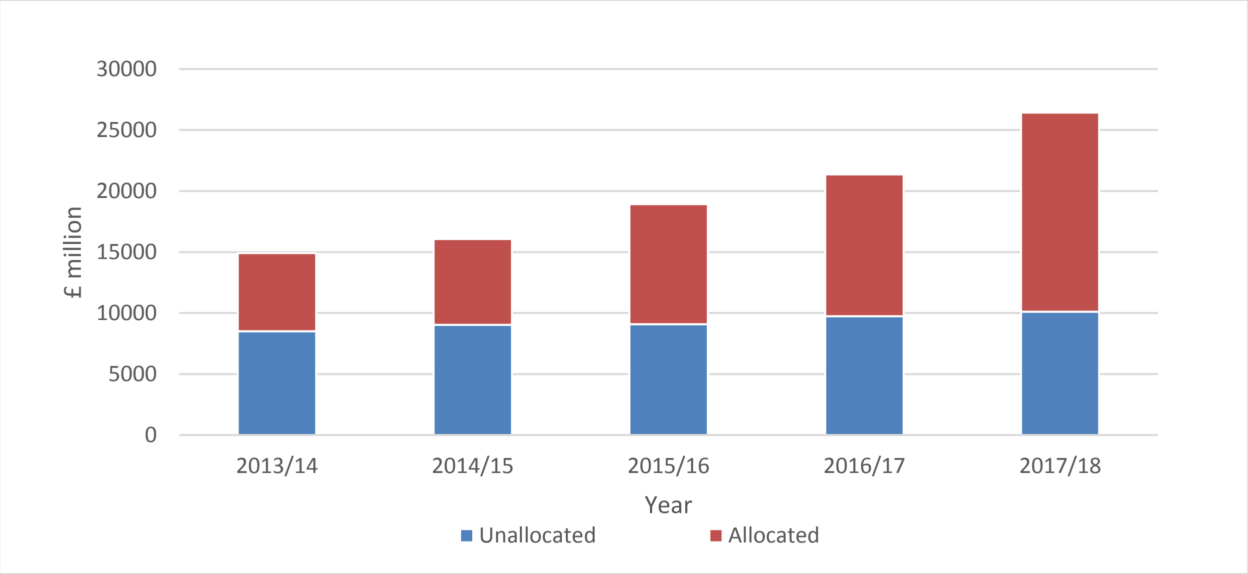
88. The Council reviews the level of its uncommitted reserves when setting the budget each year. Council policy is to aim for the Unallocated Reserves to be 4% of net budgeted Revenue Expenditure. The level of uncommitted general fund reserves as at 31 March 2018 was £10.133 million which at 4.3% is currently above the planned level. As reported by the council, this is largely due to £0.681 million of 2018/19 grant received in 2017/18.

89. The budgets approved for 2018/19 to 2020/21 plans to use £1.5 million in each of the years to reduce the requirement to make further savings. This will see the council reduce the level of uncommitted reserves to around 2% of net budgeted revenue expenditure.

90. Exhibit 7 provides an analysis of the general fund balance over the last five years split between committed and uncommitted reserves.

Exhibit 7

Analysis of general fund over last five years



Source: Audited Financial Statements

91. The council has been able to increase the level of its general fund reserves over time. The fall in reserves in 2017/18 was due a planned use of the capital reserve. The council had built up the capital reserve in recent years and made planned draw downs in order to reduce the requirement to borrow in 2016/17 and 2017/18.

Asset management

92. The Council is required to manage its assets in an effective way to ensure the delivery of quality public services. The council's arrangements for ensuring best value in its use of assets was considered as part of the Best Value audit in

2017. We have considered the progress made by the council in strengthening its asset management since the publication of the BVAR in November 2017. Part 5 (para 142)

Business transformation

93. Audit Scotland's *Local government in Scotland – challenges and performance 2018* (April 2018) highlighted that local authorities have not made enough progress in developing alternative forms of service delivery to meet the challenges of tightened budgets and to transform public services in Scotland.

94. We considered the council's business transformation plans as part of the Best Value audit and our findings from our review of the progress made to date are noted at Part 5 (para. 144)

Workforce planning

95. Audit Scotland's *Local government in Scotland – challenges and performance 2018* (April 2018) report highlighted the need to plan and manage reductions to Council workforces. Failing to do this can affect the skills mix and ability of the organisation to deliver, manage and scrutinise services effectively.

96. The report advises councils to have effective systems in place for managing their workforce and monitoring staffing levels, and that information should be aligned to other long-term plans such as financial plans. The council's arrangements for workforce planning were reviewed as part of the Best Value audit and a summary of progress made since the publication of the BVAR is noted at Part 5 (para 139).

Ending of public sector pay cap

97. The Council's 2018/19 budget contains full provision for pay increases in line with the Scottish Government public sector pay statement.

98. The pay claims made by employee representations present a challenge to the Council's financial resources and the Council continue to work with COSLA to agree a pay settlement and to establish the impact on the Council's budget.

EU withdrawal

99. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

100. The Council is aware of the potential risks and have reflected on these areas within the corporate risk register. The outline Financial Plan presented to the Council in February 2018 recognises the potential economic impact of EU withdrawal. The Financial Plan highlights that the local impact of the loss of European funds to the council will be on average £100,000 per year.

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Part 4

Governance and transparency

Main Judgements

The Council has appropriate governance arrangements in place that support the scrutiny of decisions made by the council.

The Council is open and transparent in many of the aspects in which it conducts its business and the public can attend meetings of the Council and its standing committees.

Governance arrangements

101. The Council's arrangements for governance and transparency formed part of our Best Value review undertaken in East Renfrewshire Council in 2016/17. This report concluded that overall the council has sound governance arrangements in place, but it did make a recommendation in relation of the level of member scrutiny particularly at Cabinet meetings.

102. In response to the BVAR, the council has changed the format of Cabinet meetings and the way in which reports are presented to members. We regularly attend Cabinet meetings and note that these changes are having a positive effect on member discussion and scrutiny. Part 5 (para 136 refers).

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making and transparent reporting of financial and performance information.

Transparency

103. Transparency means that the general public have access to understandable, relevant and timely information about how the Council is taking decisions and how it is using resources such as money, people and assets.

104. The Council webcasts its main Council meetings and members of the public can attend meetings of the full Council, cabinet and other committees. Minutes of these committee meetings and supporting papers are readily available on the Council's website.

105. The Council's website allows the public to access a wide range of information including the register of members' interests, current consultations and surveys and how to make a complaint. The annual accounts are available on its website along with other financial and performance information.

106. Overall, we concluded that the Council displays many of the features of openness and transparency.

Internal audit

107. The Council's internal audit function is carried out by an in house internal audit team. Each year we consider whether we can rely on internal audit work to avoid duplication of effort. When we plan to place reliance on internal audit work we carry out an assessment of the internal audit function to ensure that it is sufficient in terms of documentations standards, reporting procedures and quality, and is performed in accordance with Public Sector Internal Audit Standards (PSIAS)

108. We reviewed the Council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. The outcome of this review was reported to the Audit and Scrutiny Committee on 19/04/18. Overall, we concluded that we would place reliance for our financial statements responsibilities on aspects of internal audit work in the following areas: creditors, cash income and banking, Care First finance systems and Treasury Management.

109. A formal external quality assessment of internal audit's compliance with the PSIAS was completed in 2017/18. The outcome of this was reported to the Audit and Scrutiny Committee on 21/06/18. The overall conclusion by the external assessor was that the Internal Audit service complies with the main requirements of PSIAS.

Management commentary, annual governance statement and remuneration report

110. The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and clearly address the longer-term financial sustainability of the body.

111. Based on our knowledge and work performed, we concluded that the management commentary is consistent with the financial statements.

112. Based on our knowledge and work performed, we concluded that the remuneration report is consistent with the financial statements. However, our review of the approval process for exit packages disclosed in the remuneration report found that in one case, where the cost of the approved package was higher than the lowest cost option, there was a lack of documentation to support the reasoning behind the decision. We would recommend that the council maintain a formal record of the reasoning behind the approval of those packages which exceed the lowest cost option. This would increase the transparency of the decisions approved and the maintenance of an audit trail.

Action plan (Appendix 1, point 2)

National Fraud Initiative

113. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise coordinated by Audit Scotland. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems, to identify 'matches' that might suggest the existence of fraud or irregularity.

114. NFI activity is summarised in Exhibit 8

Exhibit 8
NFI activity

3294

Matches

531

Recommended for investigation

1266

Completed/closed investigations

Source: NFI secure website: www.nfi.gov.uk

115. The council completed a review of 506 of its recommended actions, representing 95% of the matches reviewed. From this review, 3 benefit frauds were identified, and recovery action is underway for £33,000. A report summarising the NFI activity was presented to the Audit and Scrutiny Committee on 09/11/17.

116. From work carried out, we concluded that the Council are engaged with the NFI exercise. Investigation of recommended matches is good and appropriate action has been taken in cases where fraud is alleged.

Standards of conduct for prevention and detection of fraud and error

117. The Council has a range of established procedures for preventing and detecting fraud and irregularity including a whistleblowing policy, anti-fraud strategy and codes of conduct for members and officers. We assessed these to ensure that they were appropriate, readily available to staff and are regularly reviewed to ensure they remain relevant and current.

118. We concluded that the Council has appropriate arrangements in place for the prevention and detection of bribery and corruption. We are not aware of any specific issues we require to bring to your attention.

Cyber security

119. Cyber Essentials is a scheme sponsored by the National Cyber Security Centre that aims to guard against the most common cyber threats and demonstrate commitment to cyber security. The Scottish Government issued a Public Sector Action Plan on Cyber Resilience in November 2017 which requires all public sector bodies to carry out a review to ensure their cyber security arrangements are appropriate.

120. The council have submitted their baseline questionnaire to the Scottish Government on 30 July 2018. This shows overall compliance with one area in relation to training requiring further development. It is important that progress continues to ensure full compliance and Cyber Essentials plus accreditation by the target date of October 2018. We will continue to monitor progress in this area.

General Data Protection Regulation

121. The new General Data Protection Regulation (GDPR) came into force on 25 May 2018. This replaced the UK Data Protection Act 1998. As a Regulation, all EU member states must implement it in the same way. GDPR sets out further requirements than the DPA and has introduced new and significantly changed data protection concepts.

122. GDPR introduces a wide range of new rights for individuals in respect of their personal data. These include the right to be forgotten, the right to object to certain processing activities and to decisions taken by automated processes.

Failure to comply with new GDPR data handling arrangements could result in the Council incurring significant fines and reputational loss.

123. We concluded that the Council are making good progress in updating its information governance procedures and planning for and implementing GDPR requirements.

Integration of health and social care

124. The Scottish Government's 2020 vision places greater emphasis on enabling people to stay in their homes, or another homely setting, where possible, sharing their lives with their family and friends and doing the things that give life meaning and value. The integration of health and social care is a mechanism to achieve this.

125. The East Renfrewshire Integration Joint Board (IJB) is provided in partnership with NHS Greater Glasgow and Clyde and became fully operational on 15 October 2015. Governance arrangements are well established with both financial and performance against the strategic plan being monitored by the IJB performance and audit committee.

126. The IJB returned a net underspend of £0.449 million against budget in 2017/18. After adding this to reserves, it held total reserves of £4.809 million at 31 March 2018. The movements on the IJB reserves during the year included a planned draw down of £0.177 million to further develop its transformation plan: Fit for the Future. The council has set savings targets of £7.270 million for the period 2018/19 to next 3 years. The IJB is still developing the Fit for the Future programme and is currently undertaking a consultation exercise on the Commissioning Strategy which details a number of challenging savings.

Local scrutiny plan

127. The 2018/19 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was presented to the Audit and Scrutiny Committee on 17/05/18. The LAN did not identify any additional scrutiny risks in the year which would require specific scrutiny work during 2018/19. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

Community Empowerment

128. The Community Empowerment Act 2015 gave local communities new powers to take control of and manage community assets.

129. The Act requires the Community Planning Partnership (CPP) to publish a Local Outcomes Improvement Plan (LOIP). The Council approved their LOIP, on 28/09/17. This is a 10-year strategic plan setting out high-level outcomes. In addition, 2 Locality Plans have been approved for the Auchenback and ADD2Barrhead area. With further locality plans being prepared currently.

130. The Council approved in June 2017 to apportion £0.6 million of the Roads revenue budget to a participatory budgeting exercise "East Ren Decides". The Council's online platform Citizen Space was used to host the exercise and the council received over 1,200 responses from residents with the schemes being approved by members in December 2017.

Part 5

Best Value

Main judgements

The Best Value Assurance Report was published in November 2017 and our follow up work indicates that the council have acknowledged the findings of the Best Value audit and have been proactive in identifying actions which will address the recommendations made. The Best value review and the council's response have had a notable impact in supporting continuous improvement at the council.

There are a number of significant ongoing transformation projects which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives.

131. To review how effectively the Council demonstrates Best Value (BV) in its delivery of services, we consider our audit findings across all the audit dimensions referred to in paragraph 3. Best value is assessed over the five-year audit appointment, as part of the annual audit work. This year's best value audit work involved following up the progress made by the Council in response to the Best Value Assurance Report (BVAR) published in November 2017. This section of our Annual Audit Report also includes audit findings relating to the audit dimension of Value for Money including reviewing performing against performance targets.

Value for money is concerned with using resources effectively and continually improving services.

Best value - follow up of Best Value Assurance Report November 2017

132. In its key messages the BVAR recognised that the council has a clear vision and strategic direction which is well supported by councillors, officers and the council's partners. It has a well-established approach to partnership working and a strong financial position, with high levels of reserves and low levels of borrowing. It performs well with Children's services and education continuing to improve from an already high level. Performance in other council services was more varied, partly reflecting the council's range of policy priorities.

133. The BVAR also highlighted a number of areas for improvement including the need for councillors to have a more transparent and active role in scrutiny and challenge of decisions. A better view of council wide progress in delivering the council's change programme was required along with a fully integrated approach to financial and service planning. There was a need to consider different models of service delivery as part of business transformation.

134. The council's Best Value improvement action plan was approved by the Council in December 2017 and a progress report was presented to Cabinet in April 2018.

135. In addition to our general review of the council's response to the BVAR, our follow up of progress to date has focused on the areas of transparency and scrutiny, the council's modern ambitious transformation programme, budget underspends and integrated strategic planning. We will review developments in Community Planning and Partnership working and Options Appraisals as part of future audits.

Exhibit 9

Summary of progress to date in response to the Best Value Assurance Report

BVAR recommendation	Progress to date
Transparency and Scrutiny : Councillors should take a more transparent and active role in scrutiny. They should have greater oversight of the transformation of the council.	The council has implemented a number of changes in procedures which are strengthening transparency and scrutiny including revising the format of Cabinet meetings and member training events. See paragraph 136
Budget Underspends : The council should identify why its revenue budget is consistently underspent and introduce more realistic budgeting policies	The findings of a specific review , by officers, of the reasons for budget underspends was reported to Council in December 2017 Positive steps have been taken to improve the accuracy of budgets. The impact of these changes to the budget setting process should be seen in the 2018/19 budget outturns. There was a £7.3 million underspend against the 2017/18 revenue budget. See paragraph 137
Integrated Strategic Planning : The council should adopt a more strategic and coordinated approach to planning and managing corporate resources and transformation programmes, to encompass financial strategies and plans, workforce plans, asset management.	The Workforce Plan 2018-2021 was approved by Cabinet in June 2018 A commitment has been made to review and improve the approach to Service Planning and a number of services are currently in the first tranche of a new approach to Business Planning . A new approach to monitoring the council's Modern Ambitious Programme of business transformation and service redesigns is under development. The council's draft Accommodation Strategy was considered by the Corporate Management Team in December 2017, with an update in June 2018. It was acknowledged that priorities were early Years projects and a public consultation on the future of the Eastwood Park Leisure Centre, Theatre and Carmichael Hall, which would inform the onward accommodation strategy. The Accommodation Strategy now needs to be finalised and progressed. See paragraph 138-147

Transparency and Scrutiny

136. Since the publication of the BVAR the council has taken a number of steps to support councillors in their scrutiny role. A programme of training events has been held for councillors covering topics such as effective scrutiny skills, the role of audit and the importance of the financial statements in demonstrating stewardship and performance in the use of council resources. The council's Section 95 Officer, the Head of Accountancy now attends and provides support to the meetings of the Audit and Scrutiny Committee and the format of Cabinet meetings have been revised so that agenda items are now presented by council officers as opposed to Convenors of Committees. This has improved discussion and scrutiny.

Budget Underspends

137. One of the findings of the Best Value audit was that the council consistently returned underspends against its revenue budget, resulting in high levels of unplanned year end balances. The council has now reviewed its budget setting process to improve the accuracy of its initial budgets. Due to the timing of these changes in approach, the benefits are unlikely to be seen until the budget outturn for 2018/19. Details on the financial performance of the council in 2017/18 and the reasons for the considerable revenue budget underspend of £7.3 million are included in the Financial management section of our Annual Audit Report at paragraph 40.

Integrated Strategic Planning

138. The council has been proactive in improving its arrangements for ensuring a fully integrated approach to managing its resources in the following areas:

Workforce Planning

139. At the time of the Best Value audit the council was in the process of improving its workforce planning arrangements. The council had in place a Workforce plan and strategy covering 2014-2018 and had started planning for the production of its Workforce Plan for 2018-2021.

140. The council has identified a net savings requirement of £22.177 million over the three years to 2021 and a likely reduction of 265 full time equivalent posts. After an increase of approximately 200 new early years workers there will be around 100 fewer posts in the council by 2021.

141. Since the publication of the BVAR, the council has taken forward its workforce planning with the Workforce Plan for 2018-2021 being approved by Cabinet in June 2018. The plan details the workforce priorities, the future shape and characteristics of the council and required workforce. An action plan has been agreed with each critical activity being assigned a target completion date and responsible officer. An annual report on progress against the workforce plan is to be brought to the Corporate Management Team

Asset Management

142. Councils require to manage assets in an effective way to ensure the delivery of quality public services. Since the publication of the BVAR in November 2017, the council's Capital Asset Management Group has continued to meet to oversee progress against the capital programme and the development of asset management plans. These plans are currently at varying stages of completion, with only 2 of the 5 plans having been approved by Cabinet (Open Spaces and Fleet) to date. Asset management is a key part of integrated planning and priority should be given to finalising the outstanding plan. We will continue to keep progress in the approval of these plans under review.

143. As noted in the BVAR, a new approach to managing the use of council buildings and accommodation was agreed by the Corporate Management Team in January 2017. Since then, the council has commissioned external consultants to help inform the development of an accommodation strategy and to support the council's planned Corporate Landlord approach to managing its office estate. A draft strategy was considered by the Corporate Management Team in December 2017. The council's priority areas were identified as to progress the Early Years projects and to carry out a public consultation on the future of the Eastwood Park Leisure Centre, Theatre and Library. The report on the results of the consultation was considered at Council in September 2018. Given the potential for additional savings from the better use of council's buildings and the need for more efficient and fit for purpose office accommodation, it is important that an accommodation strategy is now formally approved and actioned.

Action plan (Appendix 1, point 3)

144. The BVAR reported that the arrangements for monitoring the service redesign projects included in the council's Modern Ambitious Programme (MAP) did not allow for council wide visibility of all change activity or an overarching view of progress. There was a need to improve the governance and transparency of the council's transformation projects.

145. The council has taken the positive step of agreeing to introduce a new project management framework which will encompass all areas of change and redesign across the council. The new framework should allow the efficient monitoring of projects against target timescales, support the allocation of resources and track the delivery of savings achieved. It should also generate reports for the Corporate Management Team and members which will provide a greater oversight of the transformation of the council and support them better in their scrutiny role. The new arrangements are still at the development stage and given the current scale of change across the council, it's important that progress continues to ensure their successful roll out across the council.

Action plan (Appendix 1, point 4)

146. The main focus of the council's change programme over the last year has been the introduction of new Core Systems and Digital Transformation programmes. The core systems represent those systems which are integral to the council's business, namely Finance, Procurement, Human Resources and Payroll. The contracts for these systems are nearing termination (Finance and Procurement System March 2019 (extended to March 2020) and HR and Payroll March 2020).

147. The commissioning and implementation of new core corporate systems within a relatively tight timescale will be a challenging and a very resource intensive programme for the council. It is likely to place further pressures on staff capacity. The council has recognised the risks associated with taking forward such a major project and monitors it as part of its Strategic Risk Register. A Core Systems Programme Board has been put in place to oversee this programme of work. This is chaired by the council's Chief Executive and includes representatives from across the council. The Board is closely monitoring progress in this major change programme against key milestones, risks and a detailed programme plan. We will continue to keep the delivery of the council's new core systems under review as part of our 2018/19 audit.

148. Since the publication of the BVAR in November 2017 it is clear that the council has responded positively to its findings and have been proactive in identifying actions which will address the recommendations made. There are a number of significant projects which are ongoing and which will be critical to supporting the council in delivering its ambitious programme of change and improvement and achieving its overall aims and objectives. We will continue to review progress as part of our future audits.

Following the public pound

149. Local authorities have a statutory responsibility to comply with the Accounts Commission / COSLA Code of Guidance on funding external bodies and following the public pound.

150. The council uses an Arm's Length External Organisation (ALEO), the East Renfrewshire Culture and Leisure Trust (ERCLT) for the provision of its leisure services.

151. The ERCLT is a charitable trust that was established in July 2015. The business planning process is outlined in the Services Agreement between ERCLT and the council and ERCLT is required to present an annual business plan to the council at least three months before the start of the financial year. Four members of the council sit on the Board of the Leisure Trust and are responsible for reviewing the Leisure Trust's business plans and monitoring performance.

152. During 2017/18, the ERCLT applied to the council for additional funding of up to £0.277 million. Actual funding granted by the council in 2017/18 was £0.225 million. The reason for this was an overspend by ERCLT in 2017/18. This additional support was approved by the Cabinet on 15 March 2018.

153. The audited 2017/18 financial statements for ERCLT are reporting a negative net worth of £0.556 million. A going concern note has been added to the Council's group accounts and the council provided a letter of comfort to the Leisure Trust to confirm their continued financial support in 2018/19 to allow the continued provisions and development of culture and leisure services.

154. The council has approved additional funding of £0.239 million to the Leisure Trust for 2018/19 and has set savings targets of £0.330 million over the two years 2019/20-2020/21.

155. Given the key role played by the Leisure Trust in delivering the council's strategic objectives, it is important that the council continues to closely monitor its ongoing financial position.

Action plan (Appendix 1, point 5)

Performance management

156. The Council's performance management arrangements were considered in our BVAR. We identified that the Council has an established performance management framework that managers and councillors clearly understand.

157. Self-evaluation and performance management arrangements are well established as are the council's arrangements for reporting on performance internally. The council has a well-developed approach to reporting its performance to the public.

Overview of performance targets

158. The Council participates in the *Local Government Benchmarking Framework* (LGBF). The framework aims to bring together a wide range of information about how all Scottish Councils perform in delivering better services to local communities, including the cost of services and how satisfied citizens are with them.

159. The most recent *National Benchmarking Overview Report 2016/17* by the Improvement Service was published in February 2018 and covered the 2016/17 reporting period. This report was presented to the Cabinet on 05/04/18.

160. The LGBF allows Councils to compare themselves to the Scottish average. It also groups Councils with similar profiles into family groups based on factors such as population density and levels of deprivation. This allows similar Councils to compare and benchmark performance

161. The BVAR concluded that the council had improved performance in the majority of LGBF indicators. From the 2016/17 LGBF report, the time taken to pay suppliers is highlighted as a low performing indicator. This has been an ongoing area of improvement for the council and an action plan is in place to secure improvements. An update on this plan was provided to the Audit and Scrutiny Committee 08/03/18.

162. The Council recognises that it should improve service delivery in several key areas such as library visits and leisure centre attendances. As reported to the

Council, the council exceeded or at least met 71% of the indicators included in its Outcome Delivery plan. Performance in those areas not meeting target are being reviewed to understand reasons and action plans have been developed.

163. The Best Value audit concluded that the council continues to perform well. However, specific reference was made to the Local Government Benchmarking Framework indicator on the proportion of people aged over 65 with intensive needs who receive care at home. The council's performance in this indicator is relatively poor – in the fourth quartile for 2016/17 (23.16% compared to the Scottish Average of 35.27%.). This indicator measures the extent to which the council is maintaining people with intensive needs in the community and gives an indication of how it is progressing with the policy goal of shifting the balance of care.

164. The East Renfrewshire Health and Social Care Partnership's Strategic Plan for 2018-2021 recognises that there are increasing numbers of older people moving into care homes, this includes self-funders seeking a move to local authority funded care. A specific review has been completed to identify the reasons behind the increasing care home numbers and the recommended actions included further staff training and a review of processes. A new strategic planning process is being developed together with appropriate performance targets.

165. The Strategic Plan highlights the need for the council going forward to continue to work together with older people to maintain their independence at home, including a focus on self directed support and alternatives to residential care. We will keep the planned developments in this area under review as part of the Shared Risk Assessment approach with the Care Inspectorate.

166. The cabinet receives regular service performance reports throughout the year and an annual service performance report. Education performance is monitored by the Education Committee and HSCP performance is considered by the IJB Performance and Audit committee. However, all performance reports are considered by full Council.

167. Strategic performance reports providing performance of both the council and the Community Planning Partnership are provided to members on a mid-year and annual basis. These reports monitor progress against the Council's key priorities as set out in the Outcome Delivery Plan (ODP).

Statutory performance indicators (SPIs)

168. The Accounts Commission places great emphasis on councils' responsibility for public performance reporting. The Commission does not prescribe how councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

169. For 2017/18 two SPIs were prescribed:

SPI 1: covering a range of information relating to areas of performance such as improving local public services, improving local outcomes, engaging with communities and achieving best value.

SPI 2: relates to the reporting of performance information as required by the Local Government Benchmarking Framework.

170. We reviewed the Council's arrangements for collecting, recording and publishing data in 2017/18. Information is publicly available on the Council website, with the main published SPI report providing a graphical presentation of performance data.

Housing benefits performance work

171. A housing benefits performance audit was carried out by Audit Scotland in July 2018. The aim of this review was to assess the council's performance in a number of key areas such as business planning and reporting, the speed and accuracy of processing benefit claims and the levels and recovery of benefit overpayments. A draft report is currently being reviewed by council management. The final audit report will be presented to a future meeting of the council's Audit and Scrutiny Committee.

National performance audit reports

172. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18, Audit Scotland published a number of reports which are of direct interest to the Council. These are outlined in Appendix 3.

173. All National performance audit reports are reported to the Audit and Scrutiny Committee. The reports provided to members supply details of the national report and relate this to East Renfrewshire council actions and plans. This provides committee members a useful context to assess the council performance.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Housing Stock Valuation** In 2017/18 the council introduced for the first time a rolling 5-year valuation programme. The council had previously valued all assets every year. Despite the housing stock being included in Year 2 (2018/19) of the valuation programme, the Valuer had revalued the stock at 31 March 2018. This valuation had not been reflected in the unaudited financial statements. The unaudited accounts have been revised to increase the housing stock by £ 19.328 million. **Risk** The valuation of the council's assets in the financial statements are not true and fair and cannot be supported by formal valuations by the Valuer.	In line with the Code, there should be formal agreements with the Valuer on those assets to be revalued every year as part of the rolling programme. The Valuer should provide formal valuation certificates to support the asset values included in the financial statements. Exhibit 3 point 1	Formal agreement will be obtained from the valuer on those assets to be included in the rolling valuation programme for each year. This will include annual valuation of housing stock. The valuer will also provide a formal valuation certificate to support the asset values included in the accounts. Head of Accountancy May 2019
2	**Exit Packages** All exit packages tested as part of our audit work were found to be supported by an approved business cases. However, there was a lack of documentation to support the reasoning behind one decision where the cost of one approved package was higher than the lowest cost option. **Risk** There is a loss of audit trail and transparency over the factors taken into account as part of the approval of exit packages.	The council should maintain a formal record of all the factors taken into account in approving the business cases for exit packages. Paragraph 112	HR and Accountancy have established procedures for assessing the relative impact of exit package options. These will be documented, and relevant factors noted on appropriate business cases in future. Head of Accountancy/Head of Human Resources March 2019

No.	Issue/risk	Recommendation	Agreed management action/timing
3	**Asset management: Office Accommodation Strategy** Since the BVAR was published in November 2017 the council has commissioned external consultants to help inform the development of an accommodation strategy and to support the council's planned Corporate Landlord approach to managing its office estate. A draft strategy is now in place, however this has yet to be formally approved. **Risk** The council's accommodation is not cost efficient or fit for purpose and cannot support the council in its business transformation and service redesigns.	Given the potential for additional savings from the better use of council's buildings and the need for more efficient office accommodation, the council's draft accommodation strategy should now be formally approved and actioned. Paragraph 143	Our office accommodation strategy is part of our overall Capital Asset Management strategy. Our immediate priorities are 1) our Early Years programme and 2) reviewing provision for leisure. Our office accommodation strategy will follow thereafter and we will be using our newly developed approach to programme management to manage the complex interdependencies and develop an appropriate timeline. There are no 3-year savings contingent on this area. The formal work on our accommodation strategy will begin next year. Responsible officer: Andrew Cahill, Director of Environment 2019/20
4	**Reporting arrangements from Transformation Programme** The council are currently developing a new project management framework covering all areas of change and service redesign across the council. This new framework is necessary to improve reporting to members on the transformation activity and savings within council and support them better in their scrutiny role. **Risk** The arrangements for monitoring the council's transformation and service redesign projects do not provide senior management or members with a council wide visibility of all change activity or an overarching view of progress against targeted savings or benefits.	The new framework should allow the efficient monitoring of projects against target timescales, support the allocation of resources and track the delivery of savings achieved and stage and given the current scale of change across the council, it's important that progress continues to ensure their successful roll out across the council Paragraph 145	The Council is progressing well with development of its new project management framework. The first phase will be complete shortly with prototypes in place for several projects. The approach will then roll out further to our most important project areas by April 2019, with a further phase thereafter to embed this approach. Responsible officer: Louise Pringle, Head of Business Change & Revenues April 2019
5	**East Renfrewshire Culture and Leisure Trust** The council provided its subsidiary, the East Renfrewshire Leisure Trust with additional funding during 2017/18 to address budget overspends within the Trust. The audited	Given the key role played by the Leisure Trust in the delivery of cultural and leisure services and the delivery of the council's strategic objectives, the council should continue to	In addition to existing monitoring arrangements and in line with the recommendations of Audit Scotland's recent review of ALEOs, the Head of Accountancy now sits as an observer on the board of ERCLT. Further, a joint action

No.	Issue/risk	Recommendation	Agreed management action/timing
	2017/18 accounts of the Leisure Trust report a closing negative net worth position and the council provided a letter of comfort to confirm their continued financial support to the Trust in 2018/19. The council is also to provide additional funding in 2018/19. **Risk** The financial position of the Leisure Trust adversely impacts the continued provision and development of cultural and leisure services.	closely monitor its ongoing financial position. Paragraph 155	plan has been agreed with ERCLT to progress the recommendations of an independent review of ERCLT's financial position and elected members have been given training on scrutiny skills. Head of Accountancy Ongoing
Follow up of prior year recommendations			
b/f	**2. Budget Underspends & reporting** The council has a history of underspend against budget. Given the budget pressures that services are under, there is a need for budgets to be revised/re-based to reflect actual patterns of expenditure to ensure spending is accurately forecast and effectively monitored during the year. Additionally, information on high year end underspends is not communicated to members timeously to allow for corrective or different actions to be taken. **Risk** There is a risk that the budgets are not accurate and that budget reports to members do not allow time for corrective action to be made.	East Renfrewshire council should review the budget setting to ensure that the budgets reflect actual demand. The council should also ensure that the budget reports provided to members are accurate and timeous to ensure that members can fulfil their role of scrutinising of the budget and can take corrective or additional action regarding these budgets. Update Work on identifying the budget underspends started during 2017/18. Further refinement has taken place as part of the budget setting process in 2018/19. We will continue to review the levels of underspend during 2018/19. There has been improvements made in the timing of reporting of underspends to members with the expected outturn reported to members in April, being largely the actual outturn as reported in June 2018 Paragraph 41, 137	Both the quantum and oversight of historic budget underspends were reviewed prior to setting the budget for 2018/19. In addition, all significant underspends are being challenged during the year, with resources being reallocated where they can be used more effectively. Head of Accountancy Ongoing
b/f	**3. Financial Pressures** The council are currently preparing savings plans to address the £26.3 million savings requirement for the 3	East Renfrewshire council should ensure that medium term financial plans are prepared and available to members to allow	Longer term financial planning has been extended to a 6 year period (to encompass two 3 year budget cycles), with a number of scenarios modelled to allow for

No.	Issue/risk	Recommendation	Agreed management action/timing
	year period 2018/19-2020/21. The last three year budget cycle reported savings of £20.7 million. At time of approving 2017/18 budgets, detailed indicative budgets for future years were not available for members to help inform decisions. **Risk** There is a risk that the Council is unable to deliver the same level of savings that it has achieved in recent years without significant impact on service provision and that indicative budgets are not available to members to help inform their difficult budget decisions.	the impact of decisions made to be fully understood. Update The 2018/19 budget approved in March 2018 provided indicative savings of £20.260 million identified for the 2018-21 3 year budget period. Given the previous level of savings which have already been made, a risk exists that the current plans are not achievable Paragraph 77	future uncertainties. Close monitoring of 2018/19 budgets and future years' savings plans continues via CMT and the Budget Strategy Group and this has been further strengthened by improved monitoring arrangements for the Council's transformation programmes. Head of Accountancy Ongoing
b/f	**5. Disaster Recovery/business continuity arrangements** The data centre became operational in August 2017 with phase 1 now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation, The council is continuing its review of business continuity plans **Risk** There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services	East Renfrewshire council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are tested Update Testing has now taken place on the new data centre and the disaster recovery plan is currently being prepared. Business continuity plans are currently being reviewed to ensure that they are realistic and achievable and should be updated following the production of the disaster recovery plan. Paragraph 67	New temporary role of Business Continuity Officer now in post to drive Disaster Recovery Plan update to completion by 31/03/19 This officer will also meet all services to validate and agree Business Continuity IT dependencies by 31/03/19. Responsible Officer: Murray Husband
b/f	**6. Information Security Policy** The current version of the council's information security policy has not been updated since October 2014. A revised version has been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff. Risk There is a risk that council processes and procedures will not keep pace with any	East Renfrewshire council should ensure that the revised policy is issued promptly and ensures that practices within the council reflect the latest guidance Update A new Information security officer was appointed by the council in May 2018, However, to date there has been no updated security policy issued. Paragraph 69	Information Security Officer plans to have reviewed and refreshed the Information Security Policies by December 2018 Responsible Officer: Cathie Fraser

No.	Issue/risk	Recommendation	Agreed management action/timing
	potential, new or emerging threats while there is an out of date security policy .		

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Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the *Code of Audit Practice 2016*.

	Audit risk	Assurance procedure	Results and conclusions
	Risks of material misstatement in the financial statements		
1	**Risk of management override of controls** ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.	Detailed testing of journal entries. Review of accounting estimates. Focused testing of accruals and prepayments. Evaluation of any significant transactions that are outside the normal course of business.	Testing undertaken on a sample of journal entries. We reviewed accounting estimates. We tested a sample of transactions taken from both pre and post year end to confirm expenditure and income had been accounted for in the correct financial year. We tested a sample of accruals and prepayments. We did not identify any instances of management manipulating accounting records or overriding controls .
2	**Risk of fraud over income** East Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud.	Analytical procedures on income streams. Detailed testing of revenue transactions focusing on the areas of greatest risk	We carried out a variance analysis of income streams to confirm completeness and identify any unusual transactions or variations in income. We substantively tested a sample of income transactions to confirm occurrence and accuracy of amounts in the financial statements. We tested a sample of journal entries. We are satisfied that the council has arrangements in place to minimise the risk of fraud over income.
3	**Risk of fraud over expenditure** The risk of fraud over income presumed by ISA 240 is expanded to include fraud over	Analytical procedures on expenditure streams. Detailed testing of expenditure transactions focusing on the areas of greatest risk.	Variance analysis of expenditure streams reviewed to confirm completeness and identify any unusual transactions or variations in income.

	Audit risk	Assurance procedure	Results and conclusions
	expenditure in the public sector by the Code of Audit Practice. The risk of fraud over expenditure is also relevant due to the variety and extent of expenditure made by the council in delivering services.	Walk-though of controls identified within key financial systems.	Substantive testing completed on a sample of expenditure transactions to confirm occurrence and accuracy of amounts in the financial statements. Testing undertaken on a sample of journal entries. We are satisfied that the council has arrangements in place to minimise the risk of fraud over expenditure.
4	**Estimation and judgements** There is a significant degree of subjectivity in the measurement and valuation of the material account areas of non-current assets, pension liabilities and provisions. This subjectivity represents an increased risk of misstatement in the financial statements.	Completion of 'review of the work of an expert' for the professional actuary, and review of appropriate of actuarial assumptions. Focused substantive testing of key areas of non-current assets and of provisions. Sample check accruals and provisions in the 2017/18 financial statements	Completed a 'review of the work of an expert' for the valuer. Completed a 'review of the work of an expert' for the professional actuary, and a review of the appropriateness of actuarial assumptions. Focused substantive testing on key areas of non-current assets Testing undertaken on a sample of accruals included in the 2017/18 annual accounts. **We are satisfied with the adequacy of the council's estimations and judgements**
5	**Invoice Processing** A number of significant control weaknesses were reported within invoice processing procedures in 2016/17. In addition, Internal Audit has issued a report in October 2017 on creditors which makes a substantial number of recommendations to strengthen controls. There are reputational risks to the council in addition to risks that financial loss may occur and that the financial statements may be mis-stated.	Completion of review of key controls Focussed review of duplicate payments controls and supplier bank details changes. Increased substantive testing of expenditure testing.	Key controls testing was completed Focussed testing on duplicate payments and supplier bank details changes completed. One case of poor supporting documentation and one recommendation on improving procedures on recording instances of duplicate payments have been made and when money has been received was reported in the Management report that was presented to the Audit and scrutiny committee on 21/06/18 **Increased testing undertaken on expenditure. No issues to report.**
6	**Early Closure of Accounts** The council is currently progressing a timetable to submit the unaudited 2017/18 financial statements to the Audit & Scrutiny Committee in June 2018. This will mean the accounts preparation timetable being brought forward by approximately three weeks.	We will work with the council on ensuring that the new revised timetables and our audit coverage are suitably aligned. Focussed sample check on accruals and areas of estimation in the 2017/18 annual accounts.	Focused and increased testing undertaken on accruals and estimates. No issues to report

	Audit risk	Assurance procedure	Results and conclusions
	While earlier closure is to be welcomed, there is an increased risk of error due to, for example, the likely greater use of estimation.		

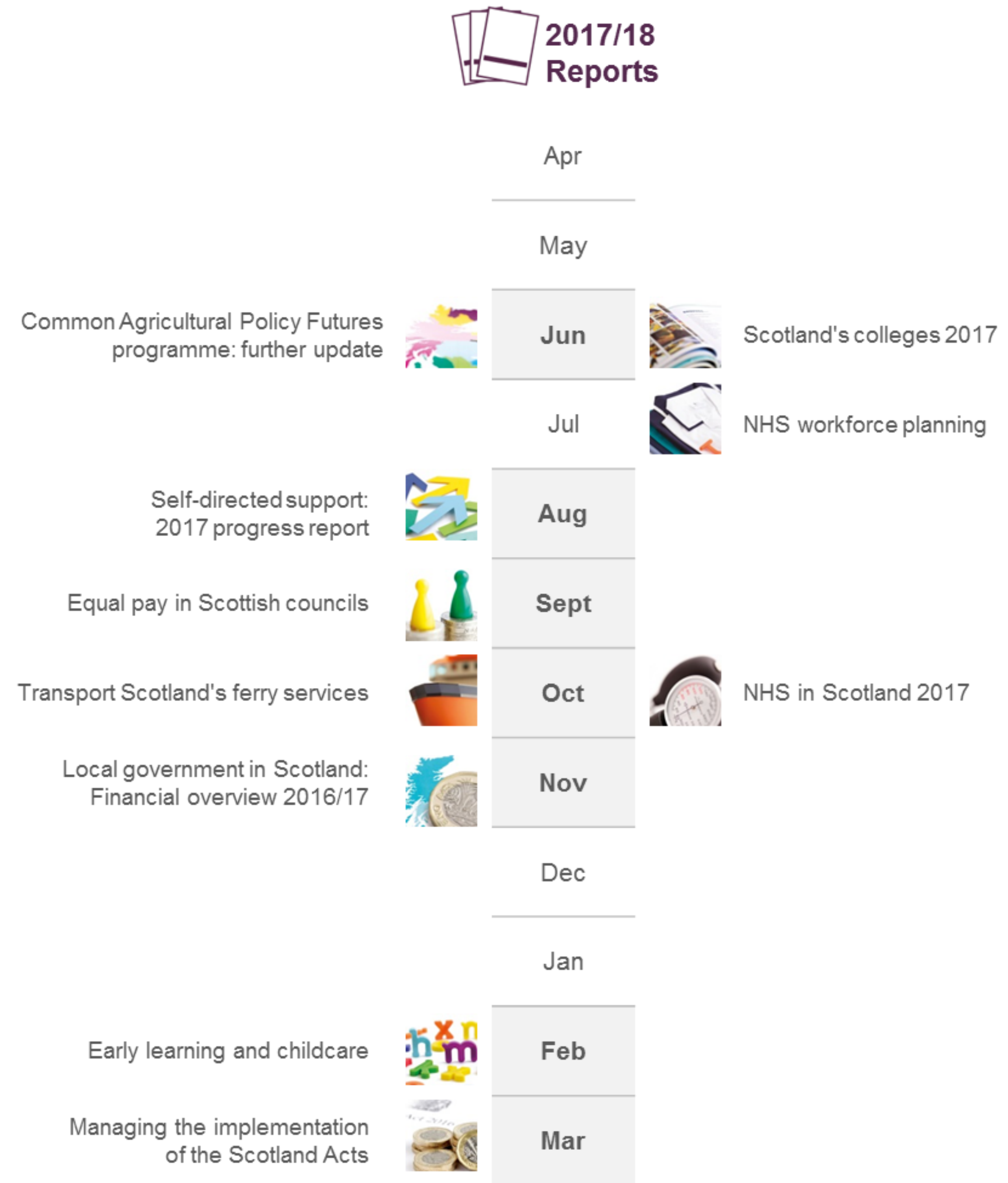
Risks identified from the auditor's wider responsibility under the Code of Audit Practice

	Audit risk	Assurance procedure	Results and conclusions
7	**Financial sustainability** The council is currently forecasting a funding gap of £26 million over the years 2018/19 to 2020/21. A public consultation on proposals to close this gap was undertaken in October 2017. The last three year budget cycle reported savings of £20.7 million There is a risk that the council is unable to deliver these significant savings over the medium term without adversely affecting the level and quality of service provision.	Consideration of the council's longer term financial management arrangements. Monitor the council's financial position both through its revenue budget monitoring reports and longer term financial plans presented to committee.	A budget underspend reported for 2017/18. Agreed savings agreed for 2018-21 of £20.260 million. Appendix 1 (b/f 3 refers)
8	**Business Continuity/Disaster recovery** The council's new data centre arrangements are now in place, however this means that the current ICT Disaster recovery plan is now substantially out of date and requires to be updated. The council has recognised this and a disaster recovery exercise is planned by the end of March 2018. The outcome of this exercise will be used to inform the Disaster Recovery Plan. The council has recently completed a review of its business continuity plans however these plans still require refining and will need further consideration following the completion of the ICT Disaster Recovery Plan. There is a risk that until the full implementation of the improved disaster recovery processes, the council may suffer a loss of data and potential disruption to services	Review of disaster recovery testing and development of Disaster Recovery Plan undertaken. Review of Business Continuity and resilience planning arrangements	Review undertaken of disaster recovery testing and business continuity plans. No updated disaster recovery plan yet issued and further work underway on the business continuity plan Appendix 1 (action point b/f 5 refers)
9	**Information Security Officer and policy** The council has experienced difficulties in recruiting an Information Security Officer and	Review of progress made in filling the current vacant post. Review of the progress made in updating the council's information security policies	Information security officer now in post however, the new security policy has yet to be issued. Appendix 1 (action point b/f 6 refers)

	Audit risk	Assurance procedure	Results and conclusions
	the implementation of an updated information security policy has been delayed . The current policy has not been updated since October 2014. There is a risk that if the council's information security policy is not kept current then it will not keep pace with any potential, new or emerging threats. ICT		
10	**Cyber Security and GDPR** In the past year, public sector organisations in Scotland were subject to an increasing number of cyber-attacks. Successful cyber-attacks can result in significant disruptions to operations, loss of data and reputational damage. In addition, the new General Data Protection Regulation (GDPR) becomes effective from 25 May 2018 and is more extensive in scope than the current requirements of the Data Protection Act. The council is currently in the process of preparing for the implementation of the GDPR Non compliance with the new regulations could result in financial penalties and reputational damage.	A consideration of East Renfrewshire Council's arrangements in relation to cyber-security. Monitor and assess preparedness for complying with the requirements of the new General Data Protection Regulation.	The council has submitted in pre-assessment questionnaire to Scottish Government and action required on training before October deadline. We will continue to monitor progress Review undertaken of GDPR plans and preparedness. No issues to report and we will continue to monitor

Appendix 3

Summary of national performance reports 2017/18



Local government relevant reports

Principles for a digital future – May 2017

Self-directed support: 2017 progress report – August 2017

Equal pay in Scottish councils – September 2017

Local government in Scotland: Financial overview 2016/17 – November 2017

East Renfrewshire Council

DRAFT Draft 2017/18 Annual Audit Report

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APPENDIX 1

EAST RENFREWSHIRE COUNCIL

ANNUAL ACCOUNTS 2017/18

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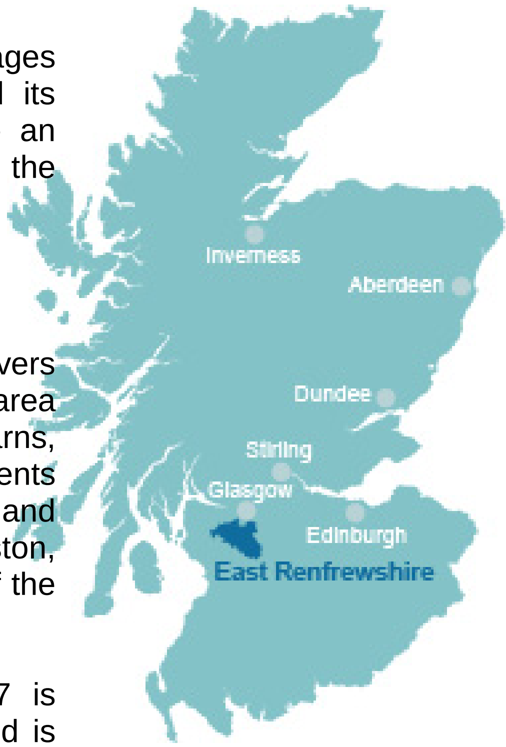
Contents

Contents (cont'd)

Management Commentary

1. Introduction

The purpose of this statement is to outline key messages regarding the objectives and strategy of the Council and its financial performance during 2017/18 and also to provide an indication of issues and risks which may impact upon the finances of the Council in the future

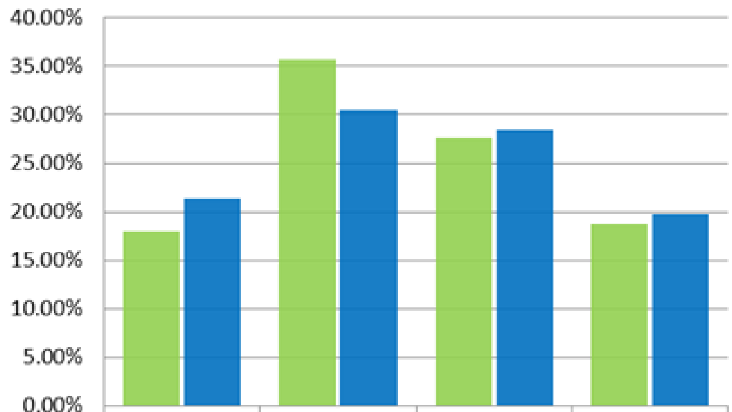


East Renfrewshire and the local authority

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

The population of East Renfrewshire at 30th June 2017 is 94,760*. This is the Authority's highest ever population, and is an increase from 2016 of 1.01%, and is 6.2% higher than the population in 2007. The 2016 Population Projections show that East Renfrewshire's population is to continue to steadily increase. The table below compares the current population of Scotland and East Renfrewshire, and shows that East Renfrewshire has a higher proportion of the population under the age of 16, compared to that of Scotland, as well as a higher proportion of those aged 45 to 64, and 65 and overs.

Table 1: Population Structure East Renfrewshire v Scotland 2017



	0 to 16	17 to 44	45 to 64	65 and Over
Scotland	17.94%	35.75%	27.65%	18.67%
East Renfrewshire	21.33%	30.46%	28.48%	19.73%

*Source 2017 Mid Year Estimates, National Records of Scotland

Management Commentary (cont'd)

The council employs 3,765 employees and provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and Housing. The Council has eighteen councillors, across five multi-member wards, representing the interests of the community. There was no overall political control of the Council and the administration is made up of a coalition comprising of 5 SNP, 4 Labour and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.

The Council employs 3,765 employees.

Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which are intended to present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2018.

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

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

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

Management Commentary (cont'd)

2. Objectives and strategy of the Council

East Renfrewshire Council's vision is to be a modern, ambitious council creating a fairer future with all. Following an in-depth analysis of need in our communities we have identified 5 ambitious outcomes we are delivering on with our partners as set out in our Single Outcome Agreement.

Our Outcomes are:-

Early Years	All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.	
Learning, Life and Work	East Renfrewshire residents are fit and active and have the skills for learning, life and work.	
Economy and Environment	East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.	
Safer, Supported Communities	East Renfrewshire residents are safe and supported in their communities and homes.	
Older People	Older people in East Renfrewshire are valued, their voices are heard and they are supported to enjoy full and positive lives for longer.	

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.
COMMUNITY ENGAGEMENT	**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)

Consultation and communication with workforce

East Renfrewshire Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council carries out periodic employee surveys, whereby the views of the workforce are sought in addition to regular consultations with staff and trade unions. The Corporate Communications Unit posts updates on the Council's internal website along with the Chief Executive's blog on a regular basis.

The Council carries out periodic employee surveys.

Budget Process

Following the success of the Council's previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2017, on setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2018/19 and indicative budgets for 2019/20 and 2020/21 were approved by Council in March 2018. The Council continues to actively seek out efficiencies in service delivery with around 69% of the approved savings measures for the Council, excluding the Integration Joint Board, for the financial years 2018/19 to 2020/21 relating to efficiencies or the Council's Modern Ambitious Programme. After the application of reserves to reduce financial pressures it is estimated that savings totalling £22.2m will have to be found over the period 2018/2021. Savings totalling £20.3m were agreed, leaving an estimated shortfall of £1.9m to be identified in 2020/21. Capital plans have also been agreed for the General Fund, covering the period 2018/19 to 2025/26, and Housing, covering the period 2018/19 to 2022/23.

Savings totalling £20.3m were agreed for 2018/2021

Fund Balances

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

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

(i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim in 2017/18 was for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. In 2017/18 this was 4.3%. (2016/17 4.2%)

(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

Management Commentary (cont'd)

(iv) To provide insurance voluntary excess costs.
(v) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
(vi) To make provision for anticipated future capital liabilities.

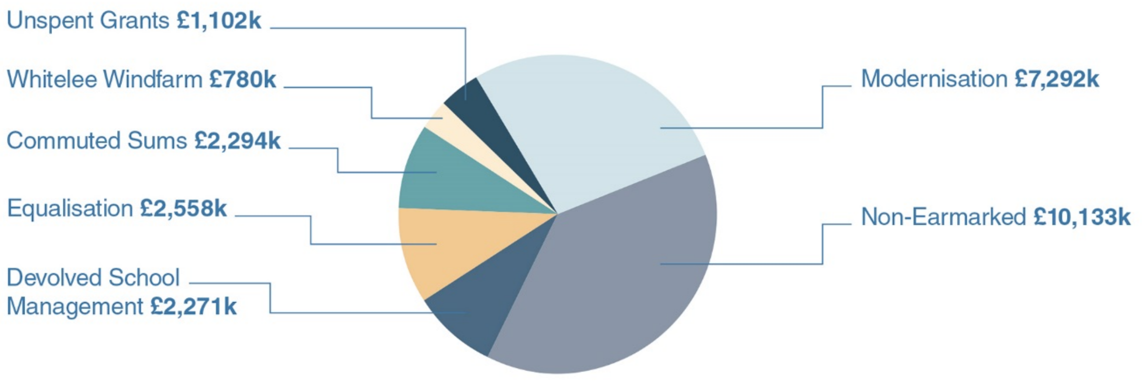
3. Financial Performance in 2017/18

Revenue Budget Performance

General Fund Revenue Balance

The General Fund Balance at the end of the year is £26.43m. The opening balance of £21.358m has been increased by an overall surplus of £5.072m. Within the General Fund balance an amount of £2.558m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £7.292m has been earmarked as a Modernisation Fund. Further amounts of £0.780m, £2.294m and £2.271m have also been earmarked for the Whitelees Wind Farm, commuted sums and Devolved School Management. In closing the accounts £1.102m has been attributed to the Unspent Grants reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

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



Budget Monitoring

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members consider revenue monitoring reports and detailed variance information at Cabinet five times per

Management Commentary (cont'd)

year with all reports providing year end forecasts. Financial and physical progress on each capital

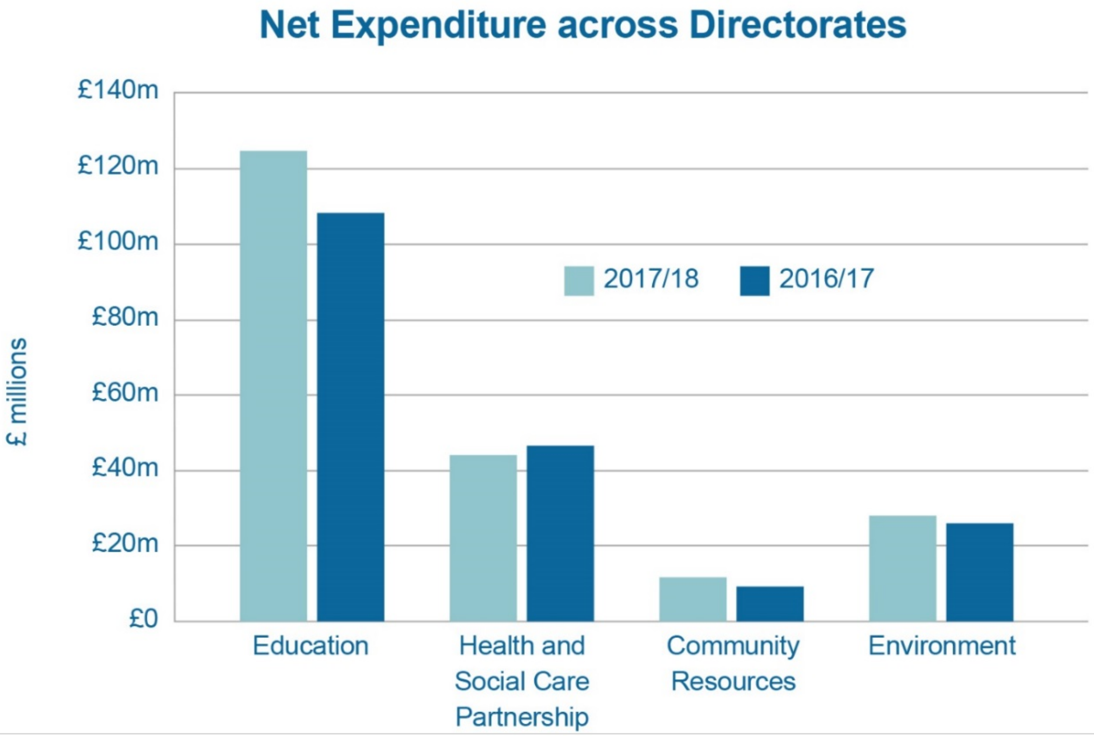
project is also reported to Cabinet four times per year. Copies of these reports are available on the Council's website:
www.eastrenfrewshire.gov.uk

Budget Performance

The overall surplus of £5.072m can be analysed as follows:

		Actual £'000	Approved Budget £'000	Over/(Under) Spend £'000
Net cost of services	216,613			
Capital charges	(13,684)	202,929	212,735	(9,806)
Investment Income		(177)	(200)	23
Capital financing costs		9,862	11,250	(1,388)
Other		9,831	-	9,831
Contributions to reserves		(3,400)	-	(3,400)
To be met by Govt. grants and local taxation		219,045	223,785	(4,740)
Aggregate External Finance		(176,045)	(175,920)	(125)
Council Tax		(48,072)	(47,865))	(207)
Total Funding		(224,117)	(223,785)	(332)
SURPLUS FOR THE YEAR		**(5,072)**	**-**	**(5,072)**

The surplus above, when considered with the Housing Revenue Account surplus of £385k (see Movement in Reserves Statement) totals £5,457k, as stated in the Expenditure and Funding Analysis (note 2).



Management Commentary (cont'd)

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 107 and 109. 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 £1,244k has been increased by an operational surplus of £385k to give a year-end balance of £1,629k.

Capital Budget Performance

The Council invested £53.207m in its General Services, Housing Capital Programmes and Public Private Partnership / Hub financing type arrangements, details of which are provided in note 32 to the core financial statements. Major Projects completed during this year include:-

- St Claire's / Calderwood Lodge Primary Schools, Newton Mearns
- Auchenback Family Centre and Community Hub
- Barrhead High School
- Crookfur Primary School and Nursery improvements

The total net expenditure incurred during the year was less than the capital budget, partly due to delays in public sector partners progressing projects. Capital expenditure was funded by receipts from sale of assets of £1.660m, contributions from revenue and reserves of £12.878m, PPP lifecycle costs of £1.733m and grants and other contributions of £9.777m leaving a balance of £27.159m to be funded by borrowing.

Assets and Liabilities

The Balance Sheet, on page 44, summarises the Council's assets and liabilities as at 31 March 2018 and explanatory notes are provided. Total net assets have increased by £155.992 million to £447.058 million. Within this headline figure, there has been significant change in both asset values and liabilities. Property, plant and equipment has increased by £81.764 million; on the liabilities side the pension liability has decreased by £91.468 million. The major changes in the Council's Balance Sheet between March 2017 and March 2018 are explained in more detail in the following paragraphs.

Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £81.764 million to £678.351 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of certain categories of assets was carried out during the year which was offset by in year depreciation charges. Cash equivalents have reduced by £1.307 million due to both revenue and capital cash flows. Long and short- term Debtors and Creditors decreased by a net £2.514 million.

Management Commentary (cont'd)

Short Term and Long Term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) increased by £18,075k during the year. Short-term borrowing decreased by £16,965k and long-term borrowing and lease financing increased by £35,040k. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 40. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's gross external debt (including Finance leases) at the year end was £176.543 million which was made available to the Council from various sources, the most significant borrowing of which was from the Public Works Loans Board. This compares with the CFR of £193.235 million and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds to minimise the exposure to investment risk.

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

The financing charges impacting on the Council Tax were £9.862m (2016/17 £9.947m) and on rents were £4.016m (2016/17 £4.070m).

The Council's average loans rate was 3.86% for 2017/18, an increase of 0.02% from 2016/17.

Provision, Contingencies and Write-offs

The Council has provided £0.289 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 23) and the reasons for the provisions made are outlined in the Note. The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement. There was a write-off against bad debt provision during the year of irrecoverable debt due to

Management Commentary (cont'd)

the Council of £198.04k for Council Tax, £233.6k for Non Domestic Rates, £3,363.1k for Community Charge and £376.2k of other debts which were approved by Cabinet.

Performance Information and Reporting Arrangements

The Council has well established performance management and planning arrangements which are embedded into the work of all our employees through "the golden thread", that runs from our strategic vision, plans and outcomes through to services' plans and employees' individual jobs. This aims to ensure employees know how they contribute to achieving our vision and ultimate aim to make people's lives better.

There were changes this year to our strategic planning framework, in response to the requirements in the Community Empowerment (Scotland) Act 2015. In 2017 the Community Planning Partnership (CPP) agreed a longer term Community Plan (incorporating Fairer East Ren, East Renfrewshire's Local Outcome Improvement Plan) setting out the strategic outcomes and priorities for the CPP. Fairer East Ren was developed based on socio-economic evidence and community priorities and is focused on tackling inequalities and closing the gap between communities. For the Partnership and the Council the outcomes continue to cover individuals' life stages:

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

The Outcome Delivery Plan 2018-21 shows how the Council will work towards achieving these outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency.

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

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

Management Commentary (cont'd)

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

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

The Council's year end strategic performance report 2017/18 was approved by Council on the 27 June 2018. The report included a wide range of information, demonstrating our progress towards our outcomes and performance on complaints. We also present a range of in year reports on service specific and financial information to elected members and the public. Throughout the year, elected members, managers and employees use performance information to evaluate, scrutinise results and take action to drive and inform areas for further improvement across services.

Our performance is also subject to external scrutiny. The 2018/19 Local Scrutiny Plan, based on a shared risk assessment undertaken by a Local Area Network (LAN) of scrutiny bodies, gave the Council a positive assessment and did not identify any areas where *additional* specific scrutiny was needed. The Plan highlights two areas requiring external audit oversight and monitoring during the year. These are financial sustainability and aspects of housing and homelessness. The Council will also continue to undergo routine, planned service inspections and monitoring from each of the scrutiny bodies.

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

To access further performance information on how the Council is performing, including trend data, planned activities, targets, and benchmarking information visit:-
www.eastrenfrewshire.gov.uk/performance

Management Commentary

Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2017/18 and the affordability of its ongoing commitments:-

Financial Indicator	Commentary	2017/18	2016/17
Reserves			
Uncommitted General Fund Reserve as a proportion of Annual budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy in 2017/18 is 4% of the following years budgeted net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the *Fund Balances* section above.	4.3%	4.2%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	3.9%	7.2%
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.	97.76%	97.76%
Ratio of Council Tax income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. East Renfrewshire Council increased Council Tax bills by 3% in 2017/18 in addition to the national changes to Bands E to H.	21.4%	19.2%
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 *Revenue Budget Performance* section above.	96.3%	96.5%
Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget.		3.5%	3.2%
Debt/Long-term Borrowing			
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.	£193.24m	£179.2m
External Debt Levels for the current year		£176.5m	£139.5m
Ratio of financing costs to net revenue stream – General Fund	These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing is affordable; and fits with the Council's medium to long-term financial strategy.	8.7%	8.3%
Ratio of financing costs to net revenue stream – Housing Revenue Account		35.5%	37.1%

Management Commentary (cont'd)

Review

The Council's affairs have again been managed within its operational budget. All departments' outturn spend was within budget, after recognising the planned use of reserves by the Integration Joint Board, with Directors taking early action in applying savings measures during 2017/18. The favourable outturn results from prudent management of staffing levels and non-filling of vacancies during the year, progression and early implementation of service reviews, staffing restructures and other efficiency measures as well as the maximisation of income receivable. As a result of effective financial management, transfers totalling £4.6m have been made to key earmarked reserves (Capital Reserve £3.3m, Modernisation Fund £1.0m, Equalisation Reserve Fund £0.2m and Repairs and Renewal Fund £0.1m). This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years. In particular, this will help alleviate pressure on the Council's Capital Programme and will facilitate one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year investment in Education continued with the completion and opening of the new build replacement Barrhead High School and the new Faith Schools' Joint Campus, both in summer 2017. Major refurbishment works on Crookfur Primary were also completed, including the extension to the building increasing the number of nursery places available. Funding was also provided to support initiatives to raise attainment for all and address inequality, whilst maintaining the pupil to teacher ratio.

A further £1.4m of capital resources was invested in improving our roads and street lighting.

The Council has made further investment with the opening of the innovative Sir Harry Burns Centre bringing together a range of services under one roof, including early learning and childcare, at the heart of the Auchenback community.

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

In addition, the Council invested a further £1.4 million of capital resources in improving our roads and street lighting.

Management Commentary (cont'd)

4. Financial Outcomes and Key Risks

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

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. However, limited increases in Council Tax are now permitted and it has been agreed to increase Council Tax by 3% per year from 2018/19 to 2020/21 to help mitigate these problems. Forecasts are that funding restrictions are not one-off but will continue for a number of years ahead. To ensure delivery of balanced budgets, this requires the Council to identify and implement savings measures to meet the spending and demand pressures it faces, and to keep its financial position under close review.

Management Commentary (cont'd)

The Council has approached these difficulties as a part of a longer term financial strategy. This is set out in the Financial Planning paper approved by the Council and reviewed as part of the annual budget. This strategy is characterised through a number of factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserve levels and put in place actions designed to ensure that these are at a level to assist the Council in addressing future financial difficulties.

The Financial Planning 2018-2024 paper was approved by Council on 2 March 2018:- http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=21921&p=0

In recognising the competing pressures of future restraints in funding levels and increasing demand, the Council has proactively identified resources from within its grant settlement to progress preventative spend with the aim of tackling future demand pressures. Total resources identified for the following financial year amount to £1,591k.

23 employees took the option of voluntary redundancy.

As a consequence of the Council's programme of efficiency reviews 23 employees took the option of voluntary redundancy or other packages offered to them in 2017/18. This resulted in an in year cost of £1.4m.

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

The Annual Governance Statement details the arrangements the Council has put in place for the proper governance of the Council's affairs and for the management of risk. This Statement explains the system of internal control in place and sets out improvement actions to the governance framework identified from the Council's ongoing review of these arrangements. The statement also refers to control weaknesses identified in relation to supplier payment arrangements and contracting procedures and to corrective action taken in each case.

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

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

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

The Council's strategic risks have been identified, along with their corresponding risk controls and actions, and were reported to Committee for members' consideration in a Report to Cabinet 5 April 2018.

5. Supplementary Information

Private Finance Initiative/Public Private Partnership & Similar Contracts

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract 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. Details of all 4 projects are provided in note 34 to the core financial statements.

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 2018, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £82.454m, details of which can be found in note 38 to the core financial statements. The pension liability represents the best estimate of

the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2018. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2018 was 2.7%. This year has seen a decrease in pension liabilities to £586.007m (2016/17 £655.487m) which is principally because the financial assumptions at 31 March 2018 are more favourable than they were at 31 March 2017.

This decrease in liabilities, in addition to an increase in asset values (£503.553m, 2016/17 £481.565m), has resulted in a net decrease in the overall pension liability of £82.577m. Employer contributions are based on the longer- term funding valuation as at 31st March 2017. The accounting policies adopted in the accounts reflect the full implementation of IAS19.

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

Group Accounts

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

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet increases the Council's net worth by £17.582m. Full details of these interests are listed within the notes to the Group Accounts.

Strathclyde Partnership for Transport

Management Commentary (cont'd)

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

Events During 2017/18

Additional Grant

The Scottish Government has provided an additional £34.5m grant across Scotland in 2017/18 for use in 2018/19. As their finance circular 4/2018 does not include conditions or stipulate that the grant may only be spent in 2018/19 it has to be recognised in 2017/18. East

Renfrewshire Council's share of the £34.5m is £0.681m and this has resulted in the Non-Earmarked reserve being slightly higher than the 4% target. The additional funding will be drawn down and spent during 2018/19.

Devolved School Management Earmarked Reserve

A new earmarked reserve gained committee approval this year to allow schools to carry forward budget underspends within an agreed tolerance and subject to agreed conditions being met. This will allow Head Teachers greater flexibility with their budgets and maximise best value to align them with the School Improvement Plan recognising that expenditure commitments operate on an academic year and not on a financial year basis.

Council Tax Multipliers

The Scottish Government amended the multipliers for houses in Band E to H, with effect from April 2017. These changes will increase the Council Tax charges for these properties, however, as the Non ring-fenced Government Grant awarded to the Council has been reduced by an equivalent amount there is no additional income generated for the Council.

Capital Strategy Deferred

In December 2017, CIPFA issued revised Prudential and Treasury Management codes including the requirement for Councils to produce a Capital Strategy report to improve the overall understanding of the governance procedures and risk appetite entailed by the Treasury Strategy. Most of the information that would contribute to this report is already provided to Committee and due to the late issue of the new codes, the first Capital Strategy Report for 2019/20 will be submitted for approval prior to the start of that financial year.

Significant Trading Operations

Management Commentary (cont'd)

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.

Additional Funding for Leisure Trust

During the year East Renfrewshire Culture and Leisure Trust forecast that it would be unable to remain within budget for 2017/18. Accordingly the Council allocated an additional £225k to ensure that the planned level of services could be maintained. An independent review of the Trust's finances has also been undertaken to provide assurance for the future.

Trade Union

The Trade Union Act (2016) was passed on 4 May 2016 and made significant changes to the law on industrial action as well as affecting how public sector employers manage union facility time and check-off arrangements.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 which followed the act requires that local authorities review their existing trade union recognition policy. 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 2017 to 31 March 2018	Full-time equivalent employee number
3	2.2 FTE

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	£99,407
Total Wage Bill	£137,550,000
Percentage of Wage Bill spent on facility time	0.07%

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

Best Value Audit

During 2017/18 an Audit of Best Value was carried out by Audit Scotland on behalf of the Accounts Commission and East Renfrewshire's Best Value Assurance Report (BVAR) was

Management Commentary (cont'd)

published in November 2017. Further detail is included within the Annual Governance Statement.

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.

6. Where to Find More information

In this Document

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

On Our Website

Further information on the Accounts can be obtained on the Council's website (**www.eastrenfrewshire.gov.uk**) or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG. All links referred to in the accounts are not subject to External Audit Scrutiny.

Acknowledgement

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

Councillor Tony Buchanan
Leader of the Council
27 September 2018

Lorraine McMillan
Chief Executive
27 September 2018

Management Commentary (cont'd)

Margaret McCrossan CPFA
Head of Accountancy
(Chief Financial Officer)
27 September 2018

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 were approved for signature by the Council on 27th September 2018.

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council
27 September 2018

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 2018.

Margaret McCrossan CPFA Head of Accountancy
(Chief Financial Officer)
27 September 2018

Annual Governance Statement 2017/18

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

In discharging this accountability, our elected members and senior officers are responsible for putting in place proper arrangements for the governance of our business and the stewardship of our resources and assets. As part of this responsibility we review and adopt a Code of Corporate Governance annually. In 2016 CIPFA and SOLACE issued revised guidance on *Delivering good governance in Local Government*. The 17/18 code and approach are consistent with the revised principles and requirements in the new guidance.

The Code is built around the revised seven principles (supported by a set of sub-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

We completed a self-assessment of our Code against the new principles in 2018. Our assessment found that we were fully compliant across all governance principles with the exception of being partially compliant in one area under the principle *Managing risks and performance through robust internal control and strong public financial management sub principle Robust Internal Control*. We are taking action in this area by updating our policies on Information Security and Anti money laundering. We are reviewing our counter fraud and anti-corruption arrangements to ensure these are in line with the CIPFA *Code of Practise on Managing the Risk of Fraud and Corruption*.

We also identified a number of improvement actions to further exceed levels of compliance as part of our ethos of continuous improvement. Some of these actions were drawn from the action plan developed following our Audit of Best Value carried out during 2017.

Our new Code of Corporate Governance for 2018/19 and an update on the 2017/18 action plan was approved by the Audit and Scrutiny Committee on 13 June 2018. An update on progressing the improvement actions on last year's code, along with our updated Code of Corporate Governance, is available on our website http://www.eastrenfrewshire.gov.uk/corporategovernance The Code is available from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162).

The Council has also established various subsidiaries and associates to deliver services more effectively. While these organisations are required to implement their own

Annual Governance Statement 2017/18 (cont'd)

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 2016/17 based on International Financial Reporting Standards which details the requirements for an Annual Governance Statement.

During 2017/18, we have reviewed the system of internal control and put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.

The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which we are directed and controlled and our activities through which we are accountable to, 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 and not absolute 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 (including segregation of duties), 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 (identified by staff) and five organisational capabilities (prevention, community engagement, data, modernisation and digital)
- 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) (Chief Financial Officer is a member of CMT) and elected members with well-defined delegation arrangements.
- A statutory section 95 officer and a Chief Financial Officer for East Renfrewshire Health and Social Care Partnership (HSCP) Integration Joint Board.

Annual Governance Statement 2017/18 (cont'd)

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

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

Review of effectiveness

We have responsibility for conducting, a review of the effectiveness of our governance framework. The review 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 governance, risk management and internal control systems of the Council.

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

Annual Governance Statement 2017/18 (cont'd)

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 2017/18 was considered by the Audit and Scrutiny Committee on 16 August 2018. The Chief Internal Auditor concluded that reasonable assurance can be placed on the adequacy and effectiveness of the governance, risk management and internal control systems of the Council in the year to 31 March 2018 with the following qualifications: levels of compliance with council procedures in the award of work within a framework agreement; non-compliance with contract standing orders and issues relating to creditors' service (which were highlighted in the 16/17 Annual Governance Statement).

On the issue concerning levels of compliance with Council procedures in the award of work within a framework agreement, Best Value was not achieved by the Council and a legal challenge has been received from a contractor within the framework. An internal audit was carried out at the request of the Director of Environment. The audit report contained 20 recommendations, 3 were classified as high risk, 11 as medium risk and 6 as low risk. The key actions were:

- Improved segregation of duties over authorisation controls over ordering of work and verification of it being completed satisfactorily
- Procedures put in place to ensure that work is awarded in compliance with the framework or contract conditions
- Invoices will only be paid if the rates agree to those quoted in the tender

The audit recommendations have been implemented with actions taken to rectify the issue and additional controls are now in place.

Concerning the instance of non-compliance with contract standing orders: the Council's contract standing orders were not complied with in relation to variations and exemptions for levels of spend on a contract to repair a school heating system. An internal audit report with recommendations was issued in May 2018 and have been implemented. These include: the Director of Environment emailing all staff emphasizing the need to comply fully with contract standing orders and financial regulations; establishment of regular departmental monitoring reporting and project working group to track project progress and ensure any issues are highlighted earlier and rectified if required.

Since the issues on the Council's Creditors' service were highlighted last year process improvement work has continued in the service area 2017/18 with financial management strengthened and governance of process improvements improved. Performance continues to improve significantly and regular reports were made to Audit and Scrutiny Committee during 17/18. Additional resource was put into Compliance in Creditors to assist with progression of audit actions and implementing new pre-payment checks and a new management and staffing structure is in place. Areas that will be subject to continued improvement in 2018/19 include the process for recovering duplicate or incorrect payments; further iterations to the process for checking changes to supplier bank details and using the data from weekly checks to direct further action on processes and training for staff.

Key actions achieved during 2017/18 included –

Annual Governance Statement 2017/18 (cont'd)

- Reviewing and streamlining Leadership Competencies and embedding them within organisational processes, including Performance Review and Development (PRD)
- Completion of a review of Financial Regulations
- Transfer of social media activity (e.g. customers' use of twitter and Facebook) from Communications team to Customer First to improve the customer experience.
- Established a new digital customer experience team to support the development of the Digital Customer Experience plan to improve stakeholder engagement
- Extensive community involvement in the development of - Fairer East Ren (East Renfrewshire's Local Outcome Improvement Plan, aimed at reducing inequalities and closing the gap across communities)
- Two participatory budgeting projects completed – the combined involvement of 1,200 residents allocating £700,000 to roads schemes and community groups.
- Head of Accountancy now attends Audit & Scrutiny Committee as an Advisor to the Committee.
- A long term financial plan was approved by Council in March 2018.
- A three year workforce plan was approved in May 2018 and is aligned to the long term financial plan.
- A full review has been undertaken of the Council's Asset Management Plans.

Key actions planned for 2018/19 (listed in the Code of Corporate Governance):

- Develop an Essential Scrutiny Skills Programme for elected members to run in 2018/19;
- Update the Information Security policy and Anti money laundering policy;
- Undertake further work to review counter fraud and anti-corruption arrangements to ensure these are in line with the CIPFA *Code of Practice on Managing the Risk of Fraud and Corruption*;
- Procure a new Finance, Procurement, Payroll and HR system;
- Co-ordinate our approach to the development of key corporate plans with the use and management of our finances, resources, assets and workforce and incorporate this into our future strategic planning and budgeting arrangements; and
- Finalise the three year workforce plan.

External Scrutiny

The Council's Local Scrutiny Plan 2018/19 gave an overall positive assessment. The Local Area Network (LAN) of external scrutiny bodies did not identify any scrutiny risks and as a result no *additional* specific scrutiny will be required in 2018/19. Whilst no specific scrutiny risks have been identified, we will be subject to some planned areas of scrutiny and will participate in a number of audits and reviews during 2018/19. The LAN's report also identifies two areas requiring ongoing external audit oversight and monitoring – financial sustainability, and some indicators relating to aspects of housing and homelessness.

During 2017/18 an Audit of Best Value was carried out by Audit Scotland on behalf of the Accounts Commission and East Renfrewshire's Best Value Assurance Report (BVAR) was published in November 2017. The Council believes that overall the East Renfrewshire BVAR was positive and provided assurance to residents, communities and the Accounts Commission that the Council is continuing to achieve best value. The report identified some areas with scope for improvement which included: levels of elected member scrutiny; co-

Annual Governance Statement 2017/18 (cont'd)

ordination and integration of strategic plans; levels of budget underspend and wider use of option appraisal in service review and transformation. The Council is progressing these areas as part of its ongoing approach to continuous improvement. The Council approved an action plan responding to these recommendations in December 2017. Positive progress on implementing the action plan was reported to Cabinet in April 2018. A follow up external audit on how the Council is taking forward the best value audit recommendations took place during the summer of 2018.

Our Ambition for Change

In 2017/18 we have continued to take forward our Modern Ambitious Programme (MAP), which seeks to modernise the way the Council works and address the pressures of increasing demands and financial constraints. MAP particularly concentrates on 3 of the Council's 5 capabilities: modernising, digital and data. Much of MAP is about redesigning services end to end from a customer perspective by putting in place technologies to make those journeys more streamlined and efficient. Each council department together with the Health and Social Care Partnership and the Culture and Leisure Trust has their own change boards and programmes reflecting local priorities for modernisation and service redesign.

The pace and scale of change in East Renfrewshire Council is at an unprecedented level. There is work underway to improve reporting arrangements in 2018/19 to facilitate appropriate levels of scrutiny and engagement from both officers and elected members, without creating a weighty burden for fast-moving project teams. It will also bring greater visibility to project timelines; enable more proactive resource planning to mitigate delays and over-commitments and track the delivery of savings. The Council's Digital Strategy has also been reviewed in 2017/18.

In 2017/18 a specific programme aimed at modernising and transforming the processes and systems used to manage Finance, Procurement, HR and Payroll, the Core Systems, has been developing. This will be a hugely significant piece of work for the Council over the next 2 years, with implications for services across the Council. The key risk of this programme is around the act of changing such fundamental core systems whilst continuing to run the day-to-day business of the Council. Tight programme management; realistic resourcing; making use of external support as and when required; and firm governance will all be key elements of delivering this important business change.

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

Overall this year, we consider the governance and internal control environment operating during 2017/18 provided reasonable and objective assurance, that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions taken.

Regarding key control issues relating to Creditors' Service and to contracts and framework agreements, audit recommendations have been implemented by managers and monitoring and controls strengthened. This will be subject to follow up work by Internal Audit to confirm that the recommendations have been successfully implemented. The Head of Accountancy is assured that there is no material effect on the annual accounts.

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; closely monitor progress on the key improvement actions identified, as a key part of achieving our ultimate aim, to make people's lives better in East Renfrewshire.

Cllr Tony Buchanan
Leader of the Council
27 September 2018

L. McMillan
Chief Executive
On behalf of East Renfrewshire Council
27 September 2018

Remuneration Report

Remuneration Report

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

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

All information disclosed in sections 3 to 7 in this Remuneration Report, with the exception of that relating to the Reimbursement of Members' Expenses contained within section 4, will be audited by the Council's appointed auditor, Audit Scotland. The other sections of the Remuneration Report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

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

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 4 May 2017 the annual salary for the Leader of East Renfrewshire Council was £28,213. 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 £171,390. 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 2017/18 East Renfrewshire Council had 8 Senior Councillors, which is one less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £169,280. 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 June 2017 and is available at **www.eastrenfrewshire.gov.uk.**

2. Remuneration Policy for Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities and at a meeting of the full Council on 19 March 2008 the Directors' salaries were agreed.

3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive and those staff reporting directly to the Chief Executive. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included. The remuneration paid to senior employees, including additional payments for election work, is set out in the following table. Generally senior employees are reimbursed for election work within the relevant financial year, however, payments made to the Chief Executive are phased as indicated below:-

2016/17 UK Parliamentary General Election, Thursday 7 May 2015
European Union Referendum, Thursday 23 June 2016

2017/18 Scottish Parliamentary Elections, Thursday 5 May 2016
Scottish Local Government Elections, Thursday 4 May 2017
UK Parliamentary General Election, Thursday 8 June 2017

Remuneration Report (cont'd)

		Salary, Fees and Allowances £	Election work (see note 3) £	Compensation for loss of office £	Taxable Expenses and Allowances £	Total £
Lorraine McMillan (Chief Executive)	2017/18	114,597	8,202	-	-	122,799
	2016/17	113,380	3,415	-	-	116,795
Mhairi Shaw (Director of Education)	2017/18	104,534	-	-	-	104,534
	2016/17	103,425	-	-	-	103,425
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	2017/18	106,961*	-	-	-	106,961
	2016/17	104,977*	-	-	-	104,977
Kate Rocks Chief Social Work Officer	2017/18	83,483**	-	-	-	83,483
	2016/17	82,596**	-	-	-	82,596
Andrew Cahill (Director of Environment)	2017/18	104,535	-	-	-	104,535
	2016/17	103,425	-	-	-	103,425
Margaret McCrossan Head of Accountancy (Chief Financial Officer)	2017/18	91,433	225	-	-	91,658
	2016/17	90,462	450	-	-	90,912
Caroline Innes (Deputy Chief Executive)	2017/18	104,535	175	-	-	104,710
	2016/17	103,425	350	-	-	103,775
Gerry Mahon (Chief Officer – Legal and Procurement)	2017/18	72,381	275	-	-	72,656
	2016/17	71,608	350	-	-	71,958
Michelle Blair (Chief Auditor)	2017/18	51,803	275	-	-	52,078
	2016/17	51,256	350	-	-	51,606
Anthony McReavy (Chief Executive Culture & Leisure Trust)	2017/18	73,813	-	-	-	73,813
	2016/17	65,099	-	-	-	65,099

* This salary is funded by East Renfrewshire Integration Joint Board

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

East Renfrewshire Council

Remuneration Report (cont'd)

4. Remuneration of Senior Councillors

Name	Position Held	Notes	Salary - Payments made by Council			Re-imbursement of Members Expenses							Total Salary Expenses 2017/18 (E + M)	Total Salary Expenses 2016/17
			Gross Allowance	Less Recharge to External Bodies	Net Allowances Paid	Car & Van Expenses - Reimbursed	Other Travel Expenses - Reimbursed	Other Travel Expenses Paid Directly	Subsistence & Meals Expenses Reimbursed	Training & Conference Expenses Reimbursed	Training & Conference Expenses Paid Directly	Telephone & ICT Expenses Paid Directly	Total Expenses (F to L)		
(A)	(B)		(C) £	(D) £	(E) £	(F) £	(G) £	(H) £	(I) £	(J) £	(K) £	(L) £	(M) £	(N) £	(O) £
Buchanan	Leader of the Council from 24 May 2017	1	26,719	-	26,719	47	250	-	-	49	996	218	1,560	28,279	19,489
Carmichael	Provost until 3 May 2017		1,930	-	1,930	-	-	-	-	-	-	26	26	1,956	21,286
Convery	Chair of Licensing Committee from 24 May 2017		18,953	-	18,953	10	-	-	-	-	100	26	136	19,089	-
Cunningham	Deputy Provost		20,690	-	20,690	-	-	-	-	-	-	215	215	20,905	19,365
Devlin	Convener for Housing & Maintenance Services		20,690	-	20,690	-	-	-	-	-	-	448	448	21,138	19,405
Fletcher	Provost from 24 May 2017	2(a)	21,527	-	21,527	-	-	2,609	-	-	-	279	2,888	24,415	28,798
Green	Convener for Education & Equalities until 3 May 2017		1,737	-	1,737	-	-	-	-	-	-	36	36	1,773	20,046
Hay	Chair of Planning Applications/Local Review Body until 3 May 2017		1,737	-	1,737	-	-	-	-	-	-	19	19	1,756	19,190
Ireland	Chair of Planning Applications/Local Review Body from 24 May 2017		18,953	-	18,953	-	-	-	-	-	235	34	269	19,222	-
Lafferty	Convener for Environment from 24 May 2017		20,787	-	20,787	-	-	-	-	-	498	530	1,028	21,815	17,718
McAlpine	Convener for Corporate Services until 3 May 2017		1,737	-	1,737	-	-	-	-	-	-	149	149	1,886	19,483
Merrick	Convener for Community Services and Community Safety from 24 May 2017		18,953	-	18,953	-	117	-	-	29	-	20	166	19,119	-
Miller	Chair of Audit Committee from 24 May 2017		20,497	-	20,497	-	34	-	-	32	210	120	396	20,893	16,984
Montague	Convener of Community Services and Community Safety until 3 May 2017		1,737	-	1,737	-	-	9	-	-	-	90	99	1,836	19,685
O'Kane	Convener for Education and Equalities from 24 May 2017	2(b)	20,870	85	20,785	-	-	-	-	-	498	113	611	21,396	20,182
Wallace	Chair of Audit & Scrutiny Committee until 3 May 2017		17,071	-	17,071	-	-	-	-	-	-	84	84	17,155	19,098
Waters	Convener for Environment until 3 May 2017		1,737	-	1,737	-	-	199	-	-	-	23	222	1,959	20,082
Sub total	Senior Councillors		236,325	85	236,240	57	401	2,817	-	110	2,537	2,430	8,352	244,592	280,811
All other Councillors			116,602	-	116,602	471	117	97	14	60	1,126	1,958	3,843	120,445	103,693
Total			352,927	85	352,842	528	518	2,914	14	170	3,663	4,388	12,195	365,037	384,504

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

1 Cllr Buchanan attended the annual COSLA conference, Charges stated relate to conferences attended during 16-17 and 17-18

2 (a) Cllr Fletcher received payments directly from Scottish Futures Trust until December 2017 as a Non Executive Director and member of the Audit Committee. For further details refer to www.scottishfuturestrust.org.uk

2 (b) Cllr O'Kane receives payment directly from Association for Public Service Excellence (APSE) for his position as the Roads & Highways Group Chair. For further details refer to www.apse.org.uk

3 East Renfrewshire Council leases a car for civic duties. The total cost of the car is £2,834. 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 your state retirement age.

From 1 April 2009 a five 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 2017/18 and 2016/17 are as follows:-

Actual Pensionable pay	Contribution rate 2017/18	Actual Pensionable Pay	Contribution rate 2016/17
On pensionable pay up to and including £26,259	7.2%	On pensionable pay up to and including £20,700	5.5%
On pensionable pay £26,260 to £35,349	8.7%	On pensionable pay £20,700 to £25,300	7.25%
On pensionable pay £35,350 to £41,914	9.7%	On pensionable pay £25,300 to £34,700	8.5%
On pensionable pay £41,915 to £55,549	10.4%	On pensionable pay £34,700 to £46,300	9.5%
On pensionable pay £55,550 to £75,749	11.5%	On pensionable pay above £46,300	12%
On pensionable pay above £75,750	11.9%		

Remuneration Report (cont'd)

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

The pension entitlements of Senior Employees for the year to 31 March 2018 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		2017/18 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2017	
	2017/18 £	2016/17 £	Pension £	Lump Sum £	Pension £	Lump Sum £
Lorraine McMillan (Chief Executive)	22,117	22,079	20,842	4,615	5,435	95
Mhairi Shaw (Director of Education)	20,175	19,961	55,029	114,017	4,427	-
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	20,644	20,260	35,910	55,946	4,476	-
Kate Rocks (Chief Social Work Officer)	16,112	15,941	25,648	36,159	3,536	-
Andrew Cahill (Director of Environment)	20,175	19,961	50,586	100,687	4,456	-
Margaret McCrossan (Head of Accountancy / Chief Financial Officer)	17,647	17,459	46,716	95,480	3,872	-
Caroline Innes (Deputy Chief Executive)	20,175	19,961	47,804	92,343	4,427	-
Gerry Mahon (Chief Officer – Legal and Procurement)	13,969	13,820	25,607	41,430	3,080	-
Michelle Blair (Chief Auditor)	9,998	9,892	18,391	29,865	2,193	-
Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust)	14,246	12,564	4,160	-	1,725	-

Remuneration Report (cont'd)

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2018 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		2017/18 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2017	
	2017/18 £	2016/17 £	Pension £	Lump Sum £	Pension £	Lump Sum £
Cllr Buchanan – Leader of the Council from 24 May 2017	5,157	3,668	3,960	1,403	715	70
Cllr Carmichael – Provost until 3 May 2017	373	4,076	6,411	3,867	2,247	583
Cllr Convery – Chair of Licensing Committee from 24 May 2017	3,658	-	398	-	398	-
Cllr Cunningham – Deputy Provost	-	-	-	-	-	-
Cllr Devlin – Convener for Housing & Maintenance	-	-	-	-	-	-
Cllr Fletcher – Provost from 24 May 2017	4,436	5,434	5,771	2,387	475	(7)
Cllr Green – Convener of Education and Equalities until 3 May 2017	335	3,668	3,119	1,135	-	-
Cllr Hay – Chair of Planning Applications until 3 May 2017	-	-	-	-	-	-
Cllr Ireland – Chair of Planning Applications / Local Review Body from 24 May 2017	3,658	-	398	-	398	-
Cllr Lafferty – Convener for Environment from 24 May 2017	4,012	3,872	3,973	1,554	516	31
Cllr McAlpine – Convener of Corporate Services until 3 May 2017	335	3,668	3,380	1,483	56	12
Cllr Merrick – Convener for Community Services and Community Safety from 24 May 2017	3,658	-	398	-	398	-
Cllr Miller – Chair of Audit Committee from 24 May 2017	3,956	3,260	3,483	1,352	545	54
Cllr Montague – Convener of Community Services and Community Safety until 3 May 2017	335	3,668	4,204	1,127	1,038	129
Cllr O'Kane – Convener for Education & Equalities from 24 May 2017	4,028	4,047	2,021	-	479	-
Cllr Wallace – Chair of Audit Committee until 3 May 2017	3,295	3,668	2,479	-	395	-
Cllr Waters – Convener of Environment until 3 May 2017	335	3,668	1,746	-	26	-

Remuneration Report (cont'd)

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

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	2017/18 Number of employees				2016/17 Number of employees			
	Teachers	Left during year	Employees	Total	Teachers	Left during year	Employees	Total
£50,000 - £54,999	36	2	14	52	50	1	19	70
£55,000 - £59,999	31	1	6	38	26	3	7	36
£60,000 - £64,999	5	1	2	8	3	2	4	9
£65,000 - £69,999	4	-	4	8	2	-	2	4
£70,000 - £74,999	1	-	2	3	-	1	1	2
£75,000 - £79,999	1	-	10	11	1	-	11	12
£80,000 - £84,999	1	2	1	4	1	1	1	3
£85,000 - £89,999	2	-	-	2	2	-	-	2
£90,000 - £94,999	-	1	1	2	-	1	1	2
£95,000 - £99,999	-	2	-	2	-	-	-	-
£100,000 - £104,999	-	-	3	3	-	-	3	3
£105,000 - £109,999	-	-	1	1	-	-	1	1
£110,000 - £114,999	-	-	1	1	-	-	1	1
£115,000 - £119,999	-	-	-	-	-	-	-	-

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	
			£	£	£	£		
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
£0-£20,000	7	36	£91,165	£138,210	-	-	£91,165	£138,210
£20,001-£40,000	5	5	£118,140	£98,064	£26,101	£44,627	£144,241	£142,691
£40,001-£60,000	3	-	£148,307	-	-	-	£148,307	-
£60,001-£80,000	3	1	£196,186	£8,664	-	£59,079	£196,186	£67,743
£80,001-£100,000	-	2	-	£166,457	-	-	-	£166,457
£100,001-£150,000	4	1	£568,685	£130,243	-	-	£568,685	£130,243
>£150,001	1	-	£249,667	-	£25,931	-	£275,598	-
Total Cost included in CIES	23	45	£1,372,150	£541,638	£52,032	£103,706	£1,424,182	£645,344

Councillor Tony Buchanan
Leader of the Council
27 September 2018

Lorraine McMillan
Chief Executive
27 September 2018

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). 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 2017*				Year Ended 31 March 2018		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**		**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
130,182	(15,963)	114,219	Education	152,760	(28,268)	124,492
47,030	-	47,030	HSCP - Contribution to Integration Joint Board	45,625	-	45,625
59,085	(59,645)	(560)	HSCP – Provision of Services	63,003	(64,580)	(1,577)
37,889	(11,218)	26,671	Environment	42,587	(13,956)	28,631
20,917	(16,109)	4,808	Corporate & Community – Community Resources	23,519	(17,296)	6,223
289	52	341	Chief Executive's Office	346	(185)	161
6,976	(3,362)	3,614	Other Expenditure	5,831	(4,871)	960
3,184	(258)	2,926	Support Services – Chief Executive's Office	3,354	(346)	3,008
12,043	(3,050)	8,993	Support Services – Corp & Comm	12,047	(1,939)	10,108
2,743	(1,219)	1,524	Support Services – Environment	1,044	(2,062)	(1,018)
320,338	**(110,772)**	**209,566**	**Cost of general fund services:** Total expenditure and income as reported internally for operating segments	**350,116**	**(133,503)**	**216,613**
(12,920)	12,920	-	Elimination of Internal Transactions	(15,285)	15,285	-
307,418	(97,852)	209,566	**Net cost of General Fund Services:** Total expenditure and income arising for the authority as an entity	**334,831**	**(118,218)**	**216,613**
13,944	(11,625)	2,319	HRA	**13,335**	**(11,567)**	**1,768**
321,362	**(109,477)**	**211,885**	**Cost of Services**	348,166	(129,785)	218,381
		(395)	Other operating expenditure (Note 12)			(561)
		12,877	Financing and investment income and expenditure (Note 13)			14,463
		(230,714)	Taxation and non-specific grant income (Note 14)			(233,894)
		(6,347)	**(Surplus) or Deficit on Provision of Services**			**(1,611)**
		(24,752)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 24)			(52,670)
		3,407	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 24)			2,089
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		58,297	Actuarial (gains)/losses on pension assets/liabilities (Note 24)			(103,800)
		36,952	**Other Comprehensive Income and Expenditure**			**(154,381)**
		30,605	**Total Comprehensive (Income) and Expenditure**			**(155,992)**

*The analysis of the Cost of Services differs from the 2016/17 audited accounts to reflect the Council's current reporting structure.

Movement in Reserves Statement

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

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

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

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(237,457)**	**(291,066)**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	**(1,611)**	(154,381)	**(155,992)**
Adjustments between accounting basis & funding basis under regulations (Note 10)	(2,837)	-	(3,300)	-	-	11,500	**5,363**	(5,363)	**-**
(Increase)/Decrease in 2017/18	**(7,363)**	**-**	**(385)**	**-**	**-**	**11,500**	**3,752**	**(159,744)**	**(155,992)**
Net transfer to or from reserves	**6,984**	**(4,693)**	**-**	**1,104**	**(9)**	**(3,386)**	**-**	**-**	**-**
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(397,201)**	**(447,058)**

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 carried forward	**(9,099)**	**(9,822)**	**(1,378)**	**(10,470)**	**(1,914)**	**(28,925)**	**(61,608)**	**(260,063)**	**(321,671)**
Movement in reserves during 2016/17									
Total Comprehensive Income and Expenditure	(9,073)	-	2,726	-	-	-	**(6,347)**	36,952	**30,605**
Adjustments between accounting basis & funding basis under regulations (Note 10)*	3,338	-	(2,592)	-	-	13,600	**14,346**	(14,346)	**-**
(Increase)/Decrease in 2016/17	**(5,735)**	**-**	**134**	**-**	**-**	**13,600**	**7,999**	**22,606**	**30,605**
Net transfer to or from reserves*	**5,080**	**(1,782)**	**-**	**956**	**(11)**	**(4,243)**	**-**	**-**	**-**
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(237,457)**	**(291,066)**

*changes to the 2016/17 audited accounts reflects revised guidance on the Code of Practice on Local Authority Accounting

Balance Sheet

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

31 March 2017 £000		Notes	31 March 2018 £000
596,587	Property, Plant & Equipment	15	678,351
234	Heritage Assets	16	234
143	Intangible Assets	17	236
246	Investments	19	241
597,210	**Long Term Assets**		**679,062**
768	Assets Held for Sale	18	1,037
359	Short Term Intangible Assets		344
349	Inventories		445
13,292	Short Term Debtors	20	13,768
5,000	Short Term Investments		24,000
35,530	Cash and Cash Equivalents	21	34,223
55,298	**Current Assets**		**73,817**
(1,764)	Short Term Borrowing		(2,617)
(3,126)	Finance Leases including PFI/PPP	19	(4,308)
(42,795)	Short Term Creditors	22	(40,991)
(155)	Provisions – short terms	23	(130)
(47,840)	**Current Liabilities**		**(48,046)**
(152)	Provisions – long term	23	(159)
(62,568)	Long Term Borrowing	19	(79,951)
(341)	Long Term Creditors	22	(92)
(72,825)	PFI/PPP Finance Lease	19	(90,481)
(173,922)	Defined Benefit Pension Liability	38	(82,454)
(3,794)	Capital Grant Receipts in Advance	30	(4,638)
(313,602)	**Long Term Liabilities**		**(257,775)**
291,066	**Net Assets**		**447,058**
(53,609)	Usable Reserves	11	(49,857)
(237,457)	Unusable Reserves	24	(397,201)
(291,066)	**Total Reserves**		**(447,058)**

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2018
The audited accounts were authorised for issue on 27 September 2018

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.

2016/17		2017/18
£000		£000
(6,347)	Net (surplus) or deficit on the provision of services	(1,611)
(18,196)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25)	(19,381)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(24,543)	Net cash flows from Operating Activities	(20,992)
27,959	Investing Activities (Note 26)	40,377
7	Financing Activities (Note 27)	(18,078)
3,423	Net (increase) or decrease in cash and cash equivalents	1,307
(38,953)	Cash and cash equivalents at the beginning of the reporting period	(35,530)
(35,530)	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**(34,223)**

Notes to the Accounts

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies have been prepared in accordance with IAS8 and IPSAS3.

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 the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- 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.

Notes to the Accounts (cont'd)

Cash and Cash Equivalents

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

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

Notes to the Accounts (cont'd)

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.

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 2.7% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price
    - property - market value

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

- Service cost comprising:

Notes to the Accounts (cont'd)

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

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

Gains/losses on settlements - the decrease in liabilities as a result of the council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 38) - credited to the Surplus on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.

Net interest on the net defined benefit liability, i.e. net interest expenses for the 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.

Notes to the Accounts (cont'd)

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 return for the management of the assets. The Council remains responsible for all costs and any income relating to the assets and is entitled to the use of the assets. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet and the associated capital accounting entries are reflected in the Common Good Fund. The Common Good Fund shares the same accounting policies for valuation and depreciation with the Council. For assets held within the council's balance sheet that are subsequently identified as common good, the following principles will be followed :

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

In addition, the Council also administers a number of trusts which it is the sole trustee for.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Notes to the Accounts (cont'd)

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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Financial Assets

Financial assets of the Authority are comprised entirely of loans and receivables, i.e. assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables 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. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Fair Value Measurement

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

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

Level 1 - quoted prices (unadjusted) in active markets for identified assets or liabilities that the Council can access at the measurement date
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For example, PWLB loans, fixed or variable rate deposits (less than one year)
Level 3 - unobservable inputs for the asset or liability, e.g. PFI leases.

Government Grants and Contributions

Notes to the Accounts (cont'd)

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.

The Carbon Reduction Commitment Scheme

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

Notes to the Accounts (cont'd)

costs of the Authority's services and is apportioned to services on the basis of energy consumption.

Heritage Assets

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

Statues

Six statues created by 19th century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequested 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 indeterminant 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

Notes to the Accounts (cont'd)

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 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 value of works and services received under the contract 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.

Notes to the Accounts (cont'd)

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:

- 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.

Notes to the Accounts (cont'd)

Impairment

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

Depreciation

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

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

Disposals and Non-Current Assets Held for Sale

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

East Renfrewshire Council operates 4 PFI/PPP and similar projects. Please see Note 34 for details.

Notes to the Accounts (cont'd)

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
- finance cost - an average interest charge of 6.58% 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.

Notes to the Accounts (cont'd)

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 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.

	2016/17**				2017/18	
Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding & Accounting Basis (See Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement		Net Expenditure Chargeable to the General Fund and HRA Balances	Adjustments Between Funding & Accounting Basis (See Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement
110,784	3,435	114,219	Education	114,037	10,455	124,492
47,030	-	47,030	HSCP - Contribution to Integration Joint Board	45,625	-	45,625
(1,625)	1,065	(560)	HSCP - Provision of Services	(2,353)	776	(1,577)
22,398	4,273	26,671	Environment	24,385	4,246	28,631
4,735	73	4,808	Corporate & Community – Community Resources	5,680	543	6,223
339	2	341	Chief Executive's Office	(82)	243	161
14,590	(10,976)	3,614	Other Expenditure	10,934	(9,974)	960
2,839	87	2,926	Support Services – Chief Executive's Office	2,694	314	3,008
7,352	1,641	8,993	Support Services – Corp & Comm	7,846	2,262	10,108
1,443	81	1,524	Support Services – Environment	1,508	(2,526)	(1,018)
209,885	**(319)**	**209,566**	**Net Cost of General Fund Services**	**210,274**	**6,339**	**216,613**
309	2,010	2,319	HRA	(209)	1,977	1,768
210,194	**1,691**	**211,885**	**Cost of Services**	**210,065**	**8,316**	**218,381**
(675)	280	(395)	Other operating expenditure	(785)	224	(561)
8,542	4,335	12,877	Financing and investment income and expenditure	9,380	5,083	14,463
(220,364)	(10,350)	(230,714)	Taxation and non-specific grant income	(224,117)	(9,777)	(233,894)

(2,303)	**(4,044)**	**(6,347)**	**(Surplus) / Deficit on Provision of Services**	**(5,457)**	**3,846**	**(1,611)**
(20,299)			Opening General Fund and HRA Balance	(22,602)		
(2,303)			(Surplus) / Deficit on General Fund and HRA Balance in Year	(5,457)		
(22,602)			**Closing General Fund and HRA Balance***	(28,059)		

*For a split of this balance between the general fund and the HRA please see Movement in Reserves Statement
**The analysis of the cost of services differs from the 2016/17audited accounts to reflect the Council's current reporting structure

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.

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

Notes to the Accounts (cont'd)

2016/17	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
Education	5,489	671	(2,725)	3,435
Contribution to Integration Joint Board	473	566	26	1,065
Environment	4,485	459	(671)	4,273
Corporate & Community – Community Resources	(21)	97	(3)	73
Chief Executive's Office	2	-	-	2
Other Expenditure	-	926	(11,902)	(10,976)
Support Services – Chief Executive's Office	-	104	(17)	87
Support Services – Corp & Comm	1,440	240	(39)	1,641
Support Services – Environment	80	-	1	81
Net Cost of General Fund Services	**11,948**	**3,063**	**(15,330)**	**(319)**
HRA	6,383	116	(4,489)	2,010
Cost of Services	**18,331**	**3,179**	**(19,819)**	**1,691**
Other Operating Expenditure	280	-	-	280
Financing & Investment Income & Expenditure	-	3,856	479	4,335
Taxation & Non-Specific Grant Income	(10,350)	-	-	(10,350)
(Surplus)/Deficit on Provision of Services	**8,261**	**7,035**	**(19,340)**	**(4,044)**

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

Notes to the Accounts (cont'd)

This column records other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statue 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 2018/19 code:-

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers* including amendments to IFRS 15 *Clarifications to IFRS 15 Revenue from Contracts with Customers*
- Amendments to IAS 12 *Income Taxes*: Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 *Statement of Cash Flows*: Disclosure Initiative

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

5. EXPENDITURE AND INCOME ANALYSED BY SERVICE

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

2017/18

Expenditure/Income	Education	HSCP	Environment	Corporate & Community – Community Resources	Chief Executive's Office	Other Expenditure	Support Services	Housing Revenue Account	Costs not included in a service	Total
Expenditure										
Employee expenses	88,027	22,151	15,593	5,328	104	149	12,234	3,924	4,622	**152,132**
Other services expenses	52,617	41,958	23,331	18,191	242	5,682	5,200	3,315	-	**150,536**
Depreciation, amortisation, impairment	12,116	(1,106)	3,663	-	-	-	(989)	6,096	-	**19,780**
Interest payments	-	-	-	-	-	-	-	-	10,457	**10,457**
Gain on the disposal of assets	-	-	-	-	-	-	-	-	224	**224**
Total expenditure	**152,760**	**63,003**	**42,587**	**23,519**	**346**	**5,831**	**16,445**	**13,335**	**15,303**	**333,129**
Income										
Fees, charges and other service income	(24,454)	(17,946)	(12,340)	(2,042)	(185)	(4,871)	(4,347)	(11,567)	(785)	**(78,537)**
Interest and investment income	-	-	-	-	-	-	-	-	(616)	**(616)**
Income from council tax	-	-	-	-	-	-	-	-	(48,072)	**(48,072)**
Government grants and contributions (Note 30)	(3,814)	(1,009)	(1,616)	(15,254)	-	-	-	-	(185,822)	**(207,515)**
Total income	**(28,268)**	**(18,955)**	**(13,956)**	**(17,296)**	**(185)**	**(4,871)**	**(4,347)**	**(11,567)**	**(235,295)**	**(334,740)**
(Surplus)/Deficit on the Provision of Services	**124,492**	**44,048**	**28,631**	**6,223**	**161**	**960**	**12,098**	**1,768**	**(219,992)**	**(1,611)**

Notes to the Accounts (cont'd)

2016/17

Expenditure/Income	Education	HSCP	Environment	Corporate & Community – Community Resources	Chief Executive's Office	Other Expenditure	Support Services	Housing Revenue Account	Costs not included in a service	Total
Expenditure										
Employee expenses	83,464	21,252	13,696	3,030	-	978	12,260	3,803	3,856	**142,339**
Other services expenses	41,229	37,360	19,708	17,908	287	5,998	4,190	3,758	10,677	**141,115**
Depreciation, amortisation, impairment	5,489	473	4,485	(21)	2	-	1,520	6,383	-	**18,331**
Interest payments	-	-	-	-		-	-	-	9,792	**9,792**
Gain on the disposal of assets	-	-	-	-		-	-	-	280	**280**
Total expenditure	**130,182**	**59,085**	**37,889**	**20,917**	**289**	**6,976**	**17,970**	**13,944**	**24,605**	**311,857**
Income										
Fees, charges and other service income	(14,774)	(13,028)	(9,581)	(682)	52	(3,362)	(4,527)	(11,625)	(10,991)	**(68,518)**
Interest and investment income	-	-	-	-	-	-	-	-	(1,132)	**(1,132)**
Income from council tax	-	-	-	-	-	-	-	-	(42,325)	**(42,325)**
Government grants and contributions (Note 30)	(1,189)	413	(1,637)	(15,427)	-	-	-	-	(188,389)	**(206,229)**
Total income	**(15,963)**	**(12,615)**	**(11,218)**	**(16,109)**	**52**	**(3,362)**	**(4,527)**	**(11,625)**	**(242,837)**	**(318,204)**
(Surplus)/Deficit on the Provision of Services	**114,219**	**46,470**	**26,671**	**4,808**	**341**	**3,614**	**13,443**	**2,319**	**(218,232)**	**(6,347)**

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.

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.

Notes to the Accounts (cont'd)

The items in the Authority's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £56.5m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £10.65m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £44.84m
Arrears	At 31 March 2018, the Authority had a balance of sundry debtors of £2.51m. A review of significant balances suggested that an impairment of doubtful debts of 39.71% / £0.99m 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 £0.99m 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	1,884
Sale Proceeds	(1,660)
(Profit)/loss on disposal	224

9. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 6 June 2018. 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 2018, 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 24.

2017/18	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(13,605)	(6,096)	-	-	-	19,701
Amortisation of intangible assets (Note 17)	(79)	-	-	-	-	79
Capital grants and contributions applied (Note 32)	9,406	371	-	-	-	(9,777)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8)	156	(380)	-	-	-	224
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	10,192	2,913	-	-	-	(13,105)
Capital expenditure charged against the General Fund and HRA balances	2,611	500	-	-	-	(3,111)
Voluntary provision for repayment of debt (Note 24)	225	-	-	-	-	(225)
Adjustments primarily involving the Capital						

Notes to the Accounts (cont'd)

Reserve:						
Use of the Capital Reserve to finance new capital expenditure (Note 32)	-	-	11,500	-	-	(11,500)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 24)	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 24)	(11,728)	(604)	-	-	-	12,332
Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 24)	(24)	(4)	-	-	-	28
Total Adjustments (see MIRS)	**(2,837)**	**(3,300)**	**11,500**	**-**	**-**	**(5,363)**

2016/17	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	(11,893)	(6,383)	-	-	-	18,276
Amortisation of intangible assets (Note 17)	(55)	-	-	-	-	55
Capital grants and contributions applied (Note 32)	9,080	1,270	-	-	-	(10,350)
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	161	(441)	-	-	-	280
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	9,811	2,833	-	-	-	(12,644)
Capital expenditure charged against the General Fund and HRA balances	2,920	450	-	-	-	(3,370)
Voluntary provision for repayment of debt (Note 24)	224	-	-	-	-	(224)
Adjustments primarily involving the Capital Reserve:						

Notes to the Accounts (cont'd)

Use of the Capital Reserve to finance new capital expenditure (Note 32)	-	-	13,600	-	-	(13,600)
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 24)	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 24)	(6,723)	(312)	-	-	-	7,035
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 24)	(196)	(9)	-	-	-	205
Total Adjustments (see MIRS)	**3,338**	**(2,592)**	**13,600**	**-**	**-**	**(14,346)**

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 2017/18.

	Balance at 31 March 2016 £000	Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000
Non-earmarked Reserve	**(9,099)**	**8,438**	**(9,093)**	**(9,754)**	**6,984**	**(7,363)**	**(10,133)**
Equalisation Reserve	(1,904)	-	(428)	(2,332)	-	(226)	(2,558)
Modernisation Fund	(4,633)	269	(2,326)	(6,690)	426	(1,028)	(7,292)
Unspent Grants	(1,484)	1,484	(323)	(323)	323	(1,102)	(1,102)
Whitelee Wind Farm	(599)	201	(325)	(723)	244	(301)	(780)
Commuted Sums	(1,202)	401	(735)	(1,536)	56	(814)	(2,294)
Devolved School				0	-	(2,271)	(2,271)

Notes to the Accounts (cont'd)

Management							
General Fund Total	**(18,921)**	**10,793**	**(13,230)**	**(21,358)**	**8,033**	**(13,105)**	**(26,430)**
HRA	(1,378)	450	(316)	(1,244)	500	(885)	(1,629)
Capital Reserve	(28,925)	13,600	(4,243)	(19,568)	11,500	(3,386)	(11,454)
Repairs and Renewal Fund	(10,470)	2,213	(1,257)	(9,514)	1,261	(157)	(8,410)
Insurance Fund	(1,914)	-	(11)	(1,925)	-	(9)	(1,934)
Total	**(61,608)**	**27,056**	**(19,057)**	**(53,609)**	**21,294**	**(17,542)**	**(49,857)**

12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

	2017/18 £000	2016/17 £000
(Gain)/Loss on disposal of Fixed Asset (See Note 8)	224	280
Rental Income – operating lease over property, plant and equipment	(785)	(675)
	(561)	**(395)**

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

	2017/18 £000	2016/17 £000
Interest payable and similar charges	10,457	9,792
Pension interest costs and expected return on pension assets	4,622	3,856
Interest receivable and similar income	(616)	(771)
Total	**14,463**	**12,877**

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

	2017/18 £000	2016/17 £000

Notes to the Accounts (cont'd)

Council Tax income	(48,072)	(42,325)
Non domestic rates	(14,552)	(15,623)
Non ring-fenced government grants	(161,493)	(162,416)
Capital grants and contributions	(9,777)	(10,350)
Total	**(233,894)**	**(230,714)**

15. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2017/18

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
Cost or Valuation									
At 1 April 2017	**163,663**	**260,778**	**33,330**	**35,717**	**2,908**	**3,297**	**26,374**	**119,493**	**645,560**
Additions	4,576	4,808	4,091	1,861	81	-	35,885	1,733	53,035
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	19,190	28,870	-	-	-	-	-	2,598	50,658
Revaluation increases/(decreases) recognised in the Surplus/Deficit on	138	4,453	-	-	-	-	-	(3,320)	1,271

Notes to the Accounts (cont'd)

the Provision of Services									
Derecognition – disposals	(1,116)	-	(1,052)	-	-	-	-	-	(2,168)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	(264)	(70)	-	-	-	(790)	-	-	(1,124)
Assets transferred to/from assets under construction	-	30,187	186	-	-	-	(58,704)	28,331	-
Assets transferred to/from Surplus Assets	-	(1,025)	-	-	-	1,025	-	-	-
Depreciation written back on revaluation	(5,296)	(4,799)	-	-	-	-	-	(2,868)	(12,963)
At 31 March 2018	**180,891**	**323,202**	**36,555**	**37,578**	**2,989**	**3,532**	**3,555**	**145,967**	**734,269**
Accumulated Depreciation and Impairment									
At 1 April 2017	(8,181)	(203)	(24,418)	(8,811)	-	-	-	(7,360)	(48,973)
Depreciation charge	(6,178)	(5,761)	(4,268)	(1,152)	-	(26)	-	(3,575)	(20,960)
Depreciation written out on revaluation and disposal	5,296	4,799	1,052	-	-	-	-	2,868	14,015
Derecognition	-	-	-	-	-	-	-	-	-
At 31 March 2018	**(9,063)**	**(1,165)**	**(27,634)**	**(9,963)**	**-**	**(26)**	**-**	**(8,067)**	**(55,918)**
Net Book Value At 31 March 2018	**171,828**	**322,037**	**8,921**	**27,615**	**2,989**	**3,506**	**3,555**	**137,900**	**678,351**
At 31 March 2017	**155,482**	**260,575**	**8,912**	**26,906**	**2,908**	**3,297**	**26,374**	**112,133**	**596,587**

Comparative Movements in 2016/17

	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 2016	**155,066**	**244,441**	**28,565**	**33,907**	**2,562**	**4,427**	**12,885**	**117,319**	**599,172**
Additions	4,193	3,514	5,777	1,810	346	-	22,662	1,730	40,032
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,167	7,792	-	-	-	(810)	-	2,501	21,650
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(395)	732	-	-	-	(320)	-	-	17
Derecognition – disposals	(1,435)	(10)	(1,012)	-	-	-	-	-	(2,457)
Derecognition – other	-	-	-	-	-	-	-	-	-

Notes to the Accounts (cont'd)

Assets reclassified (to)/from Held for Sale	(1,093)	-	-	-	-	-	-	-	(1,093)
Assets transferred to/from assets under construction	-	9,173	-	-	-	-	(9,173)	-	-
Depreciation written back on revaluation	(4,840)	(4,864)	-	-	-	-	-	(2,057)	(11,761)
At 31 March 2017	**163,663**	**260,778**	**33,330**	**35,717**	**2,908**	**3,297**	**26,374**	**119,493**	**645,560**
Accumulated Depreciation and Impairment									
At 1 April 2016	(7,369)	(19)	(21,711)	(7,735)	-	-	-	(6,668)	(43,502)
Depreciation charge	(5,653)	(5,048)	(3,719)	(1,076)	-	-	-	(2,749)	(18,245)
Depreciation written out on revaluation and disposal	4,841	4,864	1,012	-	-	-	-	2,057	12,774
Derecognition	-	-	-	-	-	-	-	-	-
At 31 March 2017	**(8,181)**	**(203)**	**(24,418)**	**(8,811)**	**-**	**-**	**-**	**(7,360)**	**(48,973)**
Net Book Value At 31 March 2017	**155,482**	**260,575**	**8,912**	**26,906**	**2,908**	**3,297**	**26,374**	**112,133**	**596,587**
At 31 March 2016	**147,697**	**244,422**	**6,854**	**26,172**	**2,562**	**4,427**	**12,885**	**110,651**	**555,670**

Depreciation

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

- Council Dwellings - 30 years
- Other Land and Buildings - 10 - 50 years
- Vehicles, Plant, Furniture & Equipment - 4 - 20 years.
- Infrastructure - 25 years
- Community Assets - 30 - 50 years

Capital Commitments

At 31 March 2018, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2018/19 and future years. The major commitments include the following projects which have been stated at full project cost:-

	£000
Primary School Newton Mearns	15,300
Early Learning & Childcare Expansion to 1,140 hours	24,102
Eastwood Business Incubator & Innovation Centre	5,603

Barrhead Foundry Refurbishment	2,355

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, Schools, Health Centres and main offices were revalued. 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.

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 2017	**94**	**65**	**159**	**75**	**75**	**234**
Revaluations	**-**	**-**	**-**	**-**	**-**	**-**
At 31 March 2018	**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						

Notes to the Accounts (cont'd)

At 1 April 2016	**117**	**65**	**182**	**80**	**80**	**262**
Revaluations	(23)	-	(23)	(5)	(5)	(28)
At 31 March 2017	**94**	**65**	**159**	**75**	**75**	**234**

Further details on Heritage Assets can be found in Note 41.

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 £79k charged to revenue in 2017/18 was charged to the IT Administration cost centre.

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

	2017/18 Software Licences £000	2016/17 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	1,044	929
• Accumulated amortisation	(901)	(845)
Net carrying amount at start of year	143	84

Notes to the Accounts (cont'd)

Additions:		
• Internal development	-	-
• Purchases	172	114
• Acquired through business combinations	-	-
Amortisation for the period	(79)	(55)
Other changes	-	-
Derecognition		
• Gross Book Value	-	-
• Accumulated amortisation	-	-
Net carrying amount at end of year	**236**	**143**
Comprising:		
• Gross carrying amounts	1,216	1,044
• Accumulated amortisation	(980)	(901)
Balance at end of year:	**236**	**143**

18. ASSETS HELD FOR SALE

	Current Assets 2017/18 £000	**Current Assets 2016/17 £000**
Balance outstanding at start of year	**768**	**166**
Assets newly classified as held for sale:		
• Property, Plant and Equipment	1,124	1,093
• Other assets/liabilities in disposal groups	-	-
Revaluation losses	(76)	(277)
Revaluation gains	-	-
Impairment losses	(11)	(48)
Assets declassified as held for sale:		
• Property, Plant and Equipment	-	-
• Other assets/liabilities in disposal groups	-	-
Assets sold	(768)	(166)
Transfers from non-current to current	-	-
Balance outstanding at year-end:	**1,037**	**768**

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:

	Long-term		Current	
	31 March 2018 £000	**31 March 2017 £000**	**31 March 2018 £000**	**31 March 2017 £000**
Investments				
Loans and receivables	241	246	59,964	42,450
Total investments	**241**	**246**	**59,964**	**42,450**
Borrowings				
Financial liabilities at amortised cost (including Bank overdraft)	(79,951)	(62,568)	(4,376)	(3,702)
Total Borrowings	**(79,951)**	**(62,568)**	**(4,376)**	**(3,702)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(90,481)	(72,825)	(4,308)	(3,126)

Notes to the Accounts (cont'd)

Total other long term liabilities	**(90,481)**	**(72,825)**	**(4,308)**	**(3,126)**

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

	2017/18			2016/17		
	Financial Liabilities measured at amortised cost £000	**Financial Assets: Loans and receivables £000**	**Total £000**	**Financial Liabilities measured at amortised cost £000**	**Financial Assets: Loans and receivables £000**	**Total £000**
Interest expenses						
Total expense in Surplus or Deficit on the Provision of Services	**4,067**	**-**	**4,067**	**4,135**	**-**	**4,135**
Interest income	-	(222)	(222)	-	(246)	(246)
Total income in Surplus or Deficit on the Provision of Services	**-**	**(222)**	**(222)**	**-**	**(246)**	**(246)**
Net (gain)/loss for the year	**4,067**	**(222)**	**3,845**	**4,135**	**(246)**	**3,889**

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and 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;

Notes to the Accounts (cont'd)

Mark to Model Valuation for Financial Instruments – As at 31 March the Council held £60,210k financial assets and £82,568k financial liabilities for which Level 3* valuations will apply. All the financial assets are classed as Loans and Receivables and 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 2018		31 March 2017	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	82,568	115,462	65,247	99,758

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 2018) arising from a commitment to pay interest to lenders above current market rates.

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

	31 March 2018		31 March 2017	
	Carrying amount	**Fair Value**	**Carrying amount**	**Fair Value**
	£000	**£000**	**£000**	**£000**
Financial liabilities	82,568	138,593	65,247	118,153

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 £67.29m, the fair value using New Borrowing Rates would be £93.17m. 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 £111.26m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £67.29m. It measures the economic effect of the terms agreed

Notes to the Accounts (cont'd)

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 2018		31 March 2017	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	59,964	60,050	43,365	43,434
Investments	241	241	246	246
	60,205	**60,291**	**43,611**	**43,680**

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

20. DEBTORS

	31 March 2018 £000	31 March 2017 £000
Central government bodies	6,870	5,592
Other local authorities	1,773	2,259
NHS bodies	87	1,143
Public corporations and trading funds	-	1
Interest due from investments	63	47
Other entities and individuals	4,975	4,250
Total	**13,768**	**13,292**

21. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

Notes to the Accounts (cont'd)

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

	31 March 2018 £000	31 March 2017 £000
Cash held by the Authority	18	18
Bank current accounts	(1,759)	(1,938)
Short-term deposits	35,964	37,450
Total	**34,223**	**35,530**

22. CREDITORS

	31 March 2018 £000		31 March 2017 £000	
	Short-term	**Long-term**	**Short-term**	**Long-term**
Central government bodies	(5,104)	-	(7,742)	-
Other local authorities	(1,002)	-	(1,326)	-
NHS bodies	(708)	-	(1,762)	-
Public corporations and trading funds	(208)	-	(249)	-
Interest due on Long-term borrowing	(1,013)	-	(952)	-
Other entities and individuals	(32,956)	(92)	(30,764)	(341)
TOTAL	**(40,991)**	**(92)**	**(42,795)**	**(341)**

23. PROVISIONS

	Teachers Maternity	Short-term	SRC Operations	Insurance Excess	Long-term provisions

Notes to the Accounts (cont'd)

	Pay £000	provisions £000	£000	£000	£000
Balance at 31 March 2017	**(155)**	**(155)**	**(5)**	**(147)**	**(152)**
Additional provisions made in 2017/18	(130)	**(130)**	(6)	(2)	**(8)**
Amounts used in 2017/18	133	**133**	1	-	**1**
Unused amounts reversed in 2017/18	22	**22**	-	-	**-**
Balance at 31 March 2018	**(130)**	**(130)**	**(10)**	**(149)**	**(159)**

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 £159k. These are made up firstly of £10k 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 £149k to cover insurance excess for outstanding claims made against the Council.

24. BALANCE SHEET – UNUSABLE RESERVES

	31 March 2018 £000	31 March 2017 £000
Revaluation Reserve	(161,985)	(115,846)
Capital Adjustment Account	(324,636)	(302,705)
Financial Instruments Adjustment Account	1,462	1,696
Pensions Reserve	82,454	173,922
Statutory Accumulating Compensated Absences Account	5,504	5,476
Total Unusable Reserves	**(397,201)**	**(237,457)**

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

Notes to the Accounts (cont'd)

- 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 2018	31 March 2017
	£000	£000
Balance at 1 April	**(115,846)**	**(97,880)**
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	(52,670)	(24,752)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	2,089	3,407
Amount written off to the Capital Adjustment Account:		
Difference between fair value depreciation and historical cost depreciation	3,754	2,839
Accumulated gains on assets sold or scrapped	688	540
Balance at 31 March	**(161,985)**	**(115,846)**

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.

	2017/18	2016/17
	£000	£000
Balance at 1 April	**(302,705)**	**(277,973)**
Reversal of items relating to capital expenditure debited or credited to the		

Notes to the Accounts (cont'd)

Comprehensive Income and Expenditure Account

• Charges for depreciation and impairment of non-current assets	19,701	18,276
• Revaluation losses on Property, Plant and Equipment	-	-
• PPP/PFI lifecycle costs	(1,733)	(1,730)
• Amortisation of intangible assets	79	55
• 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	1,884	1,611
	(282,774)	(259,761)
Adjusting amounts written out of the Revaluation Reserve	(4,442)	(3,379)
Net written out amount of the cost of non-current assets consumed in the year	(287,216)	(263,140)
Capital financing applied in the year:		
• Use of the Capital Receipts to finance new capital expenditure	(1,660)	(1,331)
• Grants applied to Capital Investment	(9,777)	(10,350)
• PPP/PFI Finance lease repayments	(3,469)	(2,912)
• Loan repayments for the financing of capital investment charged against the General Fund and HRA balances	(9,636)	(9,732)
• Capital Funded from Current Revenue/capital reserve	(12,878)	(15,240)
Balance at 31 March	**(324,636)**	**(302,705)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2018 will be charged to the General Fund over the next 6 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2017/18	**2016/17**
	£000	**£000**
Balance at 1 April	**1,696**	**1,929**

Notes to the Accounts (cont'd)

Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(225)	(224)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	(9)
Balance at 31 March	**1,462**	**1,696**

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.

	2017/18	2016/17
	£000	£000

Notes to the Accounts (cont'd)

Balance at 1 April	**173,922**	**108,590**
Actuarial (gains) or losses on pension assets and liabilities	(103,800)	58,297
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	21,616	17,198
Employer's pension contributions and direct payments to pensioners payable in the year	(9,284)	(10,163)
Balance at 31 March	**82,454**	**173,922**

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.

	2017/18 £000	2016/17 £000
Balance at 1 April	**5,476**	**5,271**
Settlement or cancellation of accrual made at the end of the preceding year	(5,476)	(5,271)
Amounts accrued at the end of the current year	5,504	5,476
Balance at 31 March	**5,504**	**5,476**

25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2017/18 £000	2016/17 £000
Interest received	(194)	(220)
Interest paid	4,402	4,590
Interest element of finance lease rental and PPP/PFI payment	6,240	5,495

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

	2017/18 £000	2016/17 £000
Depreciation and impairment	(19,701)	(18,276)

Notes to the Accounts (cont'd)

Amortisation of intangible assets	(79)	(55)
(Increase)/decrease in creditors	1,959	(3,136)
Increase/(decrease) in debtors	889	(31)
Increase/(decrease) in inventories	96	34
Movement in pension liability	(12,332)	(7,035)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(224)	(280)
Other non-cash items charged to the net surplus or deficit on the provision of services	10,011	10,583
	(19,381)	**(18,196)**

26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18	2016/17
	£000	£000
Purchase of property, plant and equipment and intangible assets	52,288	38,041
Purchase of short-term and long-term investments	72,695	41,354
Proceeds from the sale of property, plant and equipment and intangible assets	(1,660)	(1,331)
Proceeds from short-term and long-term investments	(72,695)	(41,354)
Other receipts from investing activities	(10,251)	(8,751)
Net cash flows from investing activities	**40,377**	**27,959**

27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

Notes to the Accounts (cont'd)

	2017/18	2016/17
	£000	£000
Financing activities as at 1 April	**(135,038)**	**(135,045)**
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	3,469	2,911
Repayments of short and long-term borrowing	759	(2,904)
Other payments for financing activities	(22,306)	-
Financing activities as at 31 March	**(153,116)**	**(135,038)**

28. AGENCY SERVICES

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

During 2017/18 the Council collected and paid over £17m (2016/17 £16.4m) and received £0.259m (2016/17 £0.259m) for providing the service.

29. EXTERNAL AUDIT COSTS

	2017/18	2016/17
	£000	£000
Agreed Audit Scotland audit fee for the year	222	221
Other Audit Services provided		-

30. GRANT INCOME

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

	2017/18	2016/17
	£000	£000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	161,493	162,416
Non Domestic Rates	14,552	15,623
Capital Grants and Contributions	9,777	10,350
Total	**185,822**	**188,389**
Credited to Services		
Housing Benefit Subsidy	14,896	15,251
Housing Benefit Administration Grant	190	205
Pupil Equity Fund	982	-

Notes to the Accounts (cont'd)

Unitary Change – Barrhead High School	1,183	-
Education 1140 expansion	377	-
Criminal Justice Grant	462	504
Private Sector Housing Grant	105	294
Education Maintenance Allowance	410	462
Strathclyde Passenger Transport	200	196
Miscellaneous Revenue Grants	2,888	928
Total	**207,515**	**206,229**

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 2018 £000
Capital Grants Receipts in Advance	
Developer's Contributions	3,114
Environmental Improvement Grant	1,256
Energy Grant	235
Miscellaneous	33
	4,638

31. 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.

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 30.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2017/18 is shown on page 36. 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

Notes to the Accounts (cont'd)

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 35.

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 2017/18		As at 31 March 2018	
	Charges to £m	**Charges from £m**	**Due from £m**	**Due to £m**
East Renfrewshire Culture & Leisure Trust	(0.460)	4.912	(0.158)	0.333
East Renfrewshire Integration Joint Board	(45.625)	45.625	(0.061)	4.303

32. 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.

2017/18	**Housing £000**	**General Fund £000**	**Total £000**
Opening Capital Financing Requirement as at 31 March 2017	26,756	152,425	179,181
Capital investment			
Property, Plant and Equipment	5,119	47,959	53,078
Intangible Assets	-	129	129
Revenue Expenditure Funded from Capital under Statute	-	-	-
Sources of finance			
Capital Reserve	-	(11,500)	(11,500)
Capital receipts	(1,504)	(156)	(1,660)
Government grants and other contributions	(371)	(9,406)	(9,777)
Sums set aside from revenue			
Direct revenue contributions	(500)	(878)	(1,378)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(5,202)	(5,202)
Loans Fund Principal	(2,913)	(6,723)	(9,636)
Closing Capital Financing Requirement as at 31 March 2018	**26,587**	**166,648**	**193,235**

Notes to the Accounts (cont'd)

Explanation of Movements in Year			
Increase in underlying need to borrow	(169)	(4,615)	(4,784)
Assets acquired under lease and lease type arrangements	-	18,838	18,838
Increase/(decrease) in Capital Financing Requirement	**(169)**	**14,223**	**14,054**

2016/17	**Housing £000**	**General Fund £000**	**Total £000**
Opening Capital Financing Requirement as at 31 March 2016	28,255	152,088	180,343
Capital investment			
Property, Plant and Equipment	4,193	35,839	40,032
Intangible Assets	-	114	114
Revenue Expenditure Funded from Capital under Statute			
Sources of finance			
Capital Reserve	-	(13,600)	(13,600)
Capital receipts	(1,159)	(172)	(1,331)
Government grants and other contributions	(1,270)	(9,080)	(10,350)
Sums set aside from revenue			
Direct revenue contributions	(450)	(1,189)	(1,639)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(4,642)	(4,642)
Loans Fund Principal	(2,813)	(6,933)	(9,746)
Closing Capital Financing Requirement as at 31 March 2017	**26,756**	**152,425**	**179,181**
Explanation of Movements in Year			
Increase in underlying need to borrow	(1,499)	3,249	1,750
Assets acquired under lease and lease type arrangements	-	(2,912)	(2,912)
Increase/(decrease) in Capital Financing Requirement	**(1,499)**	**337**	**(1,162)**

33. 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 2018 £000	**31 March 2017 £000**
Not later than one year	387	382
Later than one year and not later than five years	1,338	1,290

Later than five years	2,137	2,402
	3,862	**4,074**

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 2018	31 March 2017
	£000	£000
Minimum Lease payments	390	411
Contingent Rents	-	-
	390	**411**

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
- 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 2018	31 March 2017
	£000	£000
Not later than one year	184	160
Later than one year and not later than five years	461	328
Later than five years	16,857	7,006

Notes to the Accounts (cont'd)

	17,502	**7,494**

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 2017/18 no contingent rents were receivable by the Authority (2016/17 no contingent rents were receivable by the Authority).

34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

(I) Schools PFI Contract

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

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

Movement in Value of Assets	**£000**
Valuation at 1 April 2017	22,584
Additions/Revaluations	1,108
Depreciation in Year	(603)
NET BOOK VALUE AT 31 MARCH 2018	**23,089**

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

The total value of payments over the remainder of the contract before inflation will be £20.7m and the total value of income from the Scottish Government will be £11.25m resulting in a net outstanding undischarged obligation before inflation of £9.45m.

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

	Liability	Contingent Rent	Interest	Service Charges	Total
	£000	£000	£000	£000	£000

Notes to the Accounts (cont'd)

Within 1 year	654	525	734	1,453	3,366
Within 2 to 5 years	3,981	2,948	2,142	5,263	14,334
Within 6 to 10 years	3,463	2,265	592	5,415	11,735
ESTIMATED TOTAL	**8,098**	**5,738**	**3,468**	**12,131**	**29,435**

(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 2017	29,418
Additions/Revaluations	209
Depreciation in Year	(707)
NET BOOK VALUE AT 31 MARCH 2018	**28,920**

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

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

The outstanding undischarged net obligation is currently £1.7m.

Estimated Cash Value of Payments Due to be Made

	Liability £000	**Contingent Rent £000**	**Interest £000**	**Service Charges £000**	**Total £000**
Within 1 year	1,040	324	1,412	689	3,465
Within 2 to 5 years	4,365	1,511	5,038	3,296	14,210
Within 6 to 10 years	6,032	2,325	4,837	5,383	18,577
Within 11 to 15 years	9,204	3,299	2,742	4,280	19,525

Within 16 to 20 years	4,276	1,476	313	2,352	8,417
ESTIMATED TOTAL	**24,917**	**8,935**	**14,342**	**16,000**	**64,194**

(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 2017	60,131
Additions/Revaluations	3,014
Depreciation in Year	(1,557)
NET BOOK VALUE AT 31 MARCH 2018	**61,588**

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 £89.18m and the total value of income from the Scottish Government will be £47.36m leaving a net outstanding undischarged obligation of £41.82m.

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

	Liability	**Contingent Rent**	**Interest**	**Service Charges**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Within 1 year	2,067	1,472	2,906	2,727	9,172
Within 2 to 5 years	8,885	6,833	10,029	12,811	38,558
Within 6 to 10 years	14,079	11,016	8,454	19,149	52,698

Notes to the Accounts (cont'd)

Within 11 to 15 years	14,777	10,574	2,257	12,541	40,149
ESTIMATED TOTAL	**39,808**	**29,895**	**23,646**	**47,228**	**140,577**

(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 2017	-
Additions/Revaluations	25,016
Depreciation in Year	(713)
NET BOOK VALUE AT 31 MARCH 2018	**24,303**

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 lifetime of the contract before inflation will be £51.262m and the total value of income from the Scottish Government will be £45.161m leaving a net outstanding undischarged obligation of £6.101m.

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

Estimated Cash Value of Payments Due to be Made

	Liability £000	**Contingent Rent** £000	**Interest** £000	**Service Charges** £000	**Total** £000
Within 1 year	548	11	1,450	148	2,157
Within 2 to 5 years	2,419	108	5,412	809	8,748
Within 6 to 10 years	2,923	80	5,879	2,349	11,231

Notes to the Accounts (cont'd)

Within 11 to 15 years	3,731	46	4,811	3,012	11,600
Within 16 to 20 years	5,478	222	3,330	2,988	12,018
Within 20 to 25 years	6,866	528	1,154	2,298	10,846
ESTIMATED TOTAL	**21,965**	**995**	**22,036**	**11,604**	**56,600**

35. IMPAIRMENT LOSSES

Impairment of Assets

Impairment losses/(reversals) of £0.498m 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	17,025	(16,528)	0.497

36. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2017/18 incurring liabilities of £1.4m (£0.6m in 2016/17). This was in respect of 23 officers (45 officers in 2016/17) from across the Council. The Remuneration Report at page 41 provides further details on exit packages.

37. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

East Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified

in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. The next valuation will be as at 31 March 2020 and this will set contribution rates from 1 April 2023.

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

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.

Notes to the Accounts (cont'd)

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This was increased to 17.2% from 1 September 2015. In 2015/16 this provided an average rate of 16.2417%. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. In addition £0.3m was paid (2016/17 £0.3m) in respect of added years.

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

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2017, by East Renfrewshire Council was £7.83m, equating to approximately 1.91% of the total contributions made to the scheme.

38. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

Benefits

- From 1 April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.
- For the period 1 April 2009 to 31 March 2015 the LGPS was a defined benefit final salary scheme and the pensions accrual rate guarantees a pension based on 1/60th

  of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

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

Notes to the Accounts (cont'd)

Renfrewshire Council) are represented at the Strathclyde Pension Fund Representative Forum.

- Policy is determined in accordance with the Local Government Pension Scheme (Scotland) Regulations. Management of the Fund's investments is carried out by the Fund's Investment Advisory Panel which selects and appoints a number of external investment managers/partners and monitors their investment performance.

- Under the Regulations, employers fall into three categories, scheme employers (also known as schedule bodies) such as East Renfrewshire Council, community admission bodies and transferee admission bodies. Admission agreements are generally assumed to be open-ended. However, either party can voluntarily terminate the admission agreement by giving an appropriate period of notice to the other party. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-Employment Benefits

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

	Local Government Pension Scheme	
Included in net cost of services within Comprehensive Income and Expenditure Statement	**2017/18** **£000**	**2016/17** **£000**
• Current service cost	18,091	13,736
• Past service costs (including curtailments)	149	903
• Effect of settlement	-	-
• Contributions in respect of unfunded benefits	(1,246)	(1,297)
Included within Financing and Investment Income and Expenditure		
• Net interest cost	4,622	3,856
Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on		

Notes to the Accounts (cont'd)

the Provision of Services	21,616	17,198
Included within Other Comprehensive Income and Expenditure		
• Expected return on scheme assets	(9,901)	(76,991)
• Actuarial (gains) and losses on changes in demographic assumptions	(803)	-
• Actuarial (gains) and losses arising on changes in financial assumptions	(28,879)	134,784
• Other	(64,217)	504
Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	(82,184)	75,495
Movement in Reserves Statement		
• Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	9,284	10,163
• Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services	(21,616)	(17,198)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(12,332)	(7,035)

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	
	2017/18 **£000**	**2016/17** **£000**
Present value of the defined benefit obligation	(586,007)	(655,487)
Fair value of plan assets	503,553	481,565
Net liability arising from defined benefit obligation	**(82,454)**	**(173,922)**

Reconciliation of the Movements in the Fair Value of Scheme Assets.	Local Government Pension Scheme	
	2017/18 **£000**	**2016/17** **£000**
Opening fair value of scheme assets	**481,565**	**389,941**
Effect of Settlement	-	-
Interest income	12,515	13,665
Remeasurement gain/(loss)		
• The return on plan assets, excluding the amount included in the net interest expenses	9,901	76,991
• Other	-	-

Notes to the Accounts (cont'd)

The effect of changes in foreign exchange rates	-	-
Contributions from employer	9,284	10,163
Contributions from employees into the scheme	2,917	3,122
Benefits paid	(12,629)	(12,317)
Closing fair value of scheme assets	**503,553**	**481,565**

Reconciliation of Present Value of the Scheme Liabilities	**Funded liabilities: Local Government Pension Scheme**	
	2017/18	**2016/17**
	£000	**£000**
Opening balance at 1 April	**(655,487)**	**(498,531)**
Effect of Settlement	-	-
Current service cost	(18,091)	(13,736)
Interest cost	(17,137)	(17,521)
Contributions from scheme participants	(2,917)	(3,122)
Remeasurement gains and (losses)		
• Actuarial (gains) and losses on changes in demographic assumptions	803	-
• Actuarial (gains) and losses arising on changes in financial assumptions	28,879	(134,784)
• Other	64,217	(504)
Past service cost	(149)	(903)
Benefits paid	13,875	13,614
Closing balance at 31 March	**(586,007)**	**(655,487)**

Local Government Pension Scheme assets comprised:

	31-Mar-18				**31-Mar-17**			
Asset Category	**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	32,247	91	32,338	6	45,544	3	45,547	9
Manufacturing	26,127	79	26,206	5	36,075	76	36,150	8
Energy and Utilities	6,732	-	6,732	1	14,312	-	14,312	3
Financial Institutions	21,708	-	21,708	4	33,512	1	33,513	7
Health and Care	12,750	130	12,880	3	19,584	3	19,586	4
Information Technology	16,595	4	16,599	3	27,690	10	27,700	6

Notes to the Accounts (cont'd)

Other	-	-	-	-	-	-	-	-
Debt Securities								
Corporate Bonds (investment grade)	15,800	-	15,800	3	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	4	4	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	60,172	60,172	12	-	39,704	39,704	8
Real Estate:								
UK Property	-	45,592	45,592	9	-	58,085	58,085	12
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	143,015	12,397	155,412	31	4,660	150,169	154,829	32
Bonds	22,021	36,279	58,300	12	-	27,038	27,038	6
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	252	-	252	-	324	-	324	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	645	645	-	607	5,922	6,530	1
Derivative								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	64	64	-
Other	10	-	10	-	40	-	40	-
Cash and cash equivalents								
All	25,922	24,983	50,905	10	17,338	800	18,138	4
Totals	**323,180**	**180,373**	**503,553**	**100**	**199,686**	**281,879**	**481,565**	**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:-

	Local Government Pension Scheme	
	2017/18	**2016/17**

Notes to the Accounts (cont'd)

Investment returns	4.1% (estimate)	23.2% (estimate)
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	21.4 years	22.1 years
• Women	23.7 years	23.6 years
Longevity at 65 for future pensioners:		
• Men	23.4 years	24.8 years
• Women	25.8 years	26.2 years
Rate of increase in salaries	3.6%	4.4%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	2.7%	2.6%

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 2018:	**Approximate % increase to Employer Liability**	**Approximate monetary amount £000**
0.5% decrease in Real Discount Rate	10	56,501
0.5% increase in the Salary Increase Rate	2	10,646
0.5% increase in the Pension Increase Rate	8	44,840

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 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.

Notes to the Accounts (cont'd)

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 2019 is £9.092 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.5 years (19.4 years 2016/17).

39. 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. Further contingent liabilities exist in relation to the Council's share of any potential future asbestos related claims against the former Strathclyde Regional Council and in relation to an Internal Audit report on non-compliance with Council procedures in the award of contracts.

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

In terms of East Renfrewshire Culture and Leisure Trust's admission to the Strathclyde Pension Scheme, the Council has guaranteed to accept liability for any unfunded pension costs should they cease to exist, withdraw from the scheme or become unable to meet any unfunded liability. The Council has not quantified the possible liability.

40. 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 9 February 2017 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2017/18 was set at £223.547m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £207.270m. 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:	F1	P-1 / P-2
	Long Term:	A-	A3

The Authority's maximum exposure to credit risk in relation to its investments in banks, £10m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2018 that this was likely to crystallise.

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2018 £000	**Historical experience of default %**	**Historical experience adjusted for market conditions at 31 March 2018 %**	**Estimated maximum exposure to default and uncollectability at 31 March 2018 £000**	**Estimated maximum exposure at 31 March 2017 £000**
Deposits with Banks	19,000	0.030%	0.030%	6	3
Building Societies	-	0.000%	0.000%	-	1
Deposits with local Authorities / Subsidiary	23,500	0.003%	0.003%	1	-
Deposits with MMF	17,420	0.000%	0.000%	-	-
Customers – Sundry Debtors	2,505	5.700%	5.700%	143	241
	62,425	-	-	150	245

Notes to the Accounts (cont'd)

The Council does not generally allow credit for customers, such that as at 31 March 2018 £1.383m of the £2.505m (£1.271m of £3.488m as at 31 March 2017) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by ages as follows:

	31 March 2018 £000	31 March 2017 £000
Less than 3 months and past due date	204	141
Three to six months	180	112
Six months to one year	106	130
More than one year	893	888
	1,383	1,271

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 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 2018 £000	31 March 2017 £000
Less than one year	2,618	1,764
Between one and two years	2,163	2,618
Between two and five years	944	2,724
More than five years	76,843	57,226
	82,568	64,332

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

Notes to the Accounts (cont'd)

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

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	222
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	(424)
Impact on Surplus or Deficit on the Provision of Services	(202)
Share of overall impact debited to the HRA	(55)
Decrease in fair value of fixed rate investment assets	131

Notes to the Accounts (cont'd)

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)	14,706

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.

41. 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 2013/14 to 2017/18.

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	2017/18 £000	2016/17 £000
Income			
Dwelling Rents		(10,603)	(10,309)
Non-dwelling Rents		(167)	(148)
Other Income		(797)	(1,168)
Total Income		**(11,567)**	**(11,625)**
Expenditure			
Repairs and Maintenance		4,181	4,460
Supervision and Management		2,953	2,843
Depreciation and Impairment on Non-Current Assets		6,096	6,384
Movements in the Impairment of Debtors	4	43	(132)
Other expenditure		62	389
Total Expenditure		**13,335**	**13,944**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**1,768**	**2,319**
HRA Services' Share of Corporate and Democratic Core		14	17
Net Cost for HRA Services		**1,782**	**2,336**
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		380	441
• Interest Payable and Similar Charges		1,103	1,237
• Interest and Investment Income		(18)	(22)
• Pension Interest Cost and Expected Return on Pension Assets		229	196
• Rental Income – operating lease over Property, Plant and Equipment		(190)	(192)
• Capital Grants and Contributions Receivable		(371)	(1,270)
(Surplus) or Deficit for the Year on HRA Services		**2,915**	**2,726**

Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

	HRA Notes	2017/18 £000	2016/17 £000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		2,915	2,726
Adjustments between Accounting Basis and Funding Basis Under Statute		(3,300)	(2,592)
Net (Increase) or Decrease Before Transfers to or from Reserves		(385)	134
(Increase) or Decrease in Year on the HRA		(385)	134
Balance on the HRA at the end of the Previous Year		(1,244)	(1,378)
Balance on the HRA at the end of the Current Year		**(1,629)**	**(1,244)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2017/18 £000	2016/17 £000
Gain or loss on sale of HRA non-current assets	(380)	(441)
Capital expenditure funded by the HRA	500	450
Transfer to/from the Capital Adjustment Account:		
• Depreciation	(6,096)	(6,383)
• Capital Grants and Contributions	371	1,270
• Repayment of Debt	2,913	2,833
HRA share of contributions to or from the Pensions Reserve	(604)	(312)
Transfer to/from the Statutory Compensated Absences Account	(4)	(9)
	(3,300)	**(2,592)**

2. Housing Stock

Council's housing stock at 31 March 2018 was 2,939 (2,973 at March 2017) in the following categories:

	2017/18 Number	2016/17 Number
1 Apartment	172	173
2 Apartment	912	913
3 Apartment	1,263	1,282
4 Apartment	511	524
5 Apartment	77	77
6 Apartment	4	4
Total	**2,939**	**2,973**

Notes to the Housing Revenue Accounts (cont'd)

3. Rent Arrears

At the year end rent arrears amounted to £724,763 (2016/17 - £631,177) of which the current rent arrears were £452,453 (2016/17 - £392,695) representing 3.2% (2016/17 3.7%) of gross rent due and former tenant arrears amounted to £272,310 (2016/17 - £221,449). In addition, the figure contains £17,284 (2016/17 - £17,033) in respect of outstanding Housing Benefit Overpayments.

4. Impairment of Debtors

In the financial year 2017/18, the bad debt provision for the Housing Revenue Account was increased by £43,059, resulting in in a bad debt provision balance of £665,748 (2016/17 - £622,689).

5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £222,628 (2016/17 - £156,127).

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".

	2017/18 £000	2016/17 £000
Gross rates levied and the contributions in lieu	20,161	20,444
Less:		
• Reliefs and other deductions	(5,347)	(4,981)
• Payments of interest	-	-
• Write-offs of uncollectable debts and allowance for impairment	(309)	(507)
Net Non Domestic Rate Income collected	**14,505**	**14,956**
Collection adjustment to meet Provisional Contribution Amount	582	745
Contribution to Non Domestic Rate pool	**15,087**	**15,701**
Distribution from Non Domestic Rate pool	14,427	15,623
Adjustments for years prior to the pool	-	-
Non-Domestic Rate income retained by Authority (BRIS)	125	-
Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14)	**14,552**	**15,623**

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 2017/18 was £0.466 (2016/17 £0.484)

	Number	Rateable Value as at 1 April 2017 £
Shops	593	16,123,800
Offices	345	3,794,870
Hotels, Boarding Houses etc.	9	640,000
Industrial and Freight Transport	162	1,618,770
Subject Miscellaneous	377	17,120,796
Subjects Other	265	3,954,880
Total	**1,751**	**43,253,116**

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.

	2017/18 £000	2016/17 £000
Gross Council Tax levied and contributions in lieu	58,337	51,636
Adjustments for prior years Council Tax	(275)	(74)
Adjusted for:		
• Council Tax Reduction Scheme	(3,654)	(3,463)
• Council Tax Benefits (Net of Government Grants)	21	12
• Other discounts and reductions	(5,617)	(5,215)
• Uncollectable debt and allowance for impairment	(740)	(571)
Community Charge recovered	-	-
Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14)	**48,072**	**42,325**

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 2017/18 was £1,159.78 (2016/17 £1,126.00).

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 2017/18*

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,347	(128)	3	(197)	(21)	1,004	240/360	669
BAND B	5,231	(220)	-	(621)	(37)	4,353	280/360	3,386
BAND C	4,013	(122)	47	(411)	(31)	3,496	320/360	3,108
BAND D	6,463	(126)	(22)	(604)	(19)	5,692	360/360	5,692
BAND E	8,211	(106)	(15)	(529)	(21)	7,540	473/360	9,907
BAND F	6,120	(52)	(27)	(299)	(22)	5,720	585/360	9,295
BAND G	6,296	(55)	(5)	(259)	(25)	5,952	705/360	11,656
BAND H	710	(7)	-	(17)	(2)	684	882/360	1,676
							TOTAL	**45,389**
							Provision for non-collection (2%)	(908)
							Council Tax Base	44,481

*Source: A Questionnaire requested by the Scottish Government entitled Council Tax Base 2016 amended to reflect the Scottish Government multipliers for houses E to H

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to East Renfrewshire Council, the band D charge for 2017/18 was £1,159.78.

BAND A	£773-19	BAND E	£1,523-82
BAND B	£902-05	BAND F	£1,884-64
BAND C	£1,030-92	BAND G	£2,271-24
BAND D	£1,159-78	BAND H	£2,841-46

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.

Movement in Reserves statement for the year ending 31 March 2018

	2017/18 Unusable Reserve £000	2016/17 Unusable Reserve £000
Balance at 1 April	**(1,654)**	**(1,689)**
Deficit / (surplus) on the provision of services	-	58
Other comprehensive income and expenditure	2	(23)
Balance at 31 March	**(1,652)**	**(1,654)**

Comprehensive Income and Expenditure Statement for the year ending 31 March 2018

	Expenditure £000	2017/18 Income £000	Net £000	Expenditure £000	2016/17 Income £000	Net £000
Net costs of services	66	(64)	2	62	(4)	58
(Surplus) or deficit						**58**
(Surplus) / deficit on revaluation of fixed assets			-			(23)
Total Comprehensive Income and Expenditure			**2**			**35**

Balance Sheet

	2017/18 £000	2016/17 £000
Property, Plant and Equipment	1,652	1,654
Net Assets	**1,652**	**1,654**
Unusable Reserve: Revaluation Reserve and Capital Adjustment Account	1,652	1,654
Net Reserves	**1,652**	**1,654**

Common Good Fund (cont'd)

PROPERTY, PLANT & EQUIPMENT

Movement on Balances (Common Good)

	Land and Buildings 2017/18 £000	Land and Buildings 2016/17 £000
Cost or Valuation at 1 April	1,654	1,689
Additions	64	-
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	23
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	3
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	-	(61)
As at 31 March	**1,718**	**1,654**
Accumulated Depreciation and Impairment at 1 April	-	-
Depreciation charge	(66)	(61)
Depreciation written out on revaluation and disposal	-	61
Derecognition – other (transfers)	-	-
As at 31 March	**(66)**	**-**
Net Book Value at 31 March 2018	**1,652**	
Net Book Value at 31 March 2017	**1,654**	**1,654**
Net Book Value at 31 March 2016		**1,689**

Group Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year ended 31 March 2017*				Year ended 31 March 2018		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**
130,492	(20,563)	109,929	Education	153,085	(32,962)	120,123
47,030	-	47,030	HSCP - Contribution to Integration Joint Board	45,625	-	45,625
59,085	(59,679)	(594)	HSCP – Provision of Services	63,003	(64,639)	(1,636)
37,957	(11,315)	26,642	Environment	42,655	(14,060)	28,595
20,925	(16,156)	4,769	Corporate & Community – Community Resources	23,522	(17,344)	6,178
289	52	341	Chief Executive's Office	346	(185)	161
7,024	(3,368)	3,656	Other Expenditure	5,831	(4,871)	960
3,188	(259)	2,929	Support Services – Chief Executive's Office	3,354	(348)	3,006
12,084	(3,064)	9,020	Support Services – Corp & Comm	12,084	(1,945)	10,139
2,758	(1,221)	1,537	Support Services – Environment	1,071	(2,063)	(992)
			Share of operating results of subsidiaries:-			
8,167	(3,359)	4,808	ERC Leisure Trust	8,635	(3,379)	5,256
62	(4)	58	Common Good	66	(64)	2
30	(20)	10	Trust Funds	35	(20)	15
329,091	**(118,956)**	**210,135**	**Net Cost of General Fund Services: Total expenditure and income as reported internally for operating segments**	**359,312**	**(141,880)**	**217,432**
(12,920)	12,920	-	Elimination of internal transactions	(15,285)	15,285	-
316,171	(106,036)	210,135	Net Cost of General Fund Services: Total expenditure and income arising for the authority as an entity	**344,027**	**(126,595)**	**217,432**
13,944	(11,626)	2,318	HRA	13,335	(11,567)	1,768
330,115	**(117,662)**	**212,453**	**Cost of Services**	**357,362**	**(138,162)**	**219,200**
		(395)	Other operating expenditure			(561)
		12,875	Financing and investment income and expenditure			14,461
		(230,714)	Taxation and non-specific grant income			(233,894)
		(5,781)	**(Surplus) / Deficit on Provision of Services**			**(794)**
		(859)	Share of operating results of associates			(3,820)
		(1,609)	Share of operating results of joint venture			(225)
		(8,249)	**Group (Surplus) / Deficit (Note 1 Group)**			**(4,839)**
		(21,368)	(Surplus) / Deficit on revaluation of fixed assets			(50,581)
		56,472	Actuarial (gains)/losses on pension assets/liabilities			(102,699)
		900	Share of other comprehensive expenditure and income of associates and joint venture			(2,826)
		36,004	**Other Comprehensive Income and Expenditure**			**(156,106)**
		27,755	**Total Comprehensive Income and Expenditure**			**(160,945)**

*The analysis of cost of services differs from the 2016/17 audited accounts to reflect the Council's current reporting structure

Group Movement in Reserves Statement

This statement shows the movement from the start of the year to the end on the different reserves held by the authority along with the share of reserves of its subsidiary, associates and joint venture, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and ‘unusable reserves’. The statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the movements chargeable to council tax (or rents) for the year.

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

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(237,457)**	**(5,267)**	**(7,362)**	**(303,695)**
Movement in reserves during 2017/18											
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	**(1,611)**	**(154,381)**	(3,001)	(1,952)	**(160,945)**
Adjustments between accounting basis & funding basis under regulations	(2,837)	-	(3,300)	-	-	11,500	**5,363**	**(5,363)**	-	-	**-**
(Increase)/Decrease in 2017/18	**(7,363)**	**-**	**(385)**	**-**	**-**	**11,500**	**3,752**	**(159,744)**	**(3,001)**	**(1,952)**	**(160,945)**
Net transfer to or from Reserves	**6,984**	**(4,693)**	**-**	**1,104**	**(9)**	**(3,386)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(397,201)**	**(8,268)**	**(9,314)**	**(464,640)**

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2016 carried forward	**(9,099)**	**(9,822)**	**(1,378)**	**(10,470)**	**(1,914)**	**(28,925)**	**(61,608)**	**(260,063)**	**(3,983)**	**(5,796)**	**(331,450)**
Movement in reserves during 2016/17											
Total Comprehensive Income and Expenditure	(9,073)	-	2,726	-	-	-	**(6,347)**	**36,952**	(1,284)	(1,566)	**27,755**
Adjustments between accounting basis & funding basis under regulations*	3,338	-	(2,592)	-	-	13,600	**14,346**	**(14,346)**	-	-	**-**
(Increase)/Decrease in 2016/17	**(5,735)**	**-**	**134**	**-**	**-**	**13,600**	**7,999**	**22,606**	**(1,284)**	**(1,566)**	**27,755**
Net transfer to or from Reserves*	**5,080**	**(1,782)**	**-**	**956**	**(11)**	**(4,243)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(237,457)**	**(5,267)**	**(7,362)**	**(303,695)**

*changes to the 2016/17 audited accounts reflects revised guidance on the Code of Practice in Local Authority Accounting.

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 2017 £000		31 March 2018 £000
598,241	Property, Plant & Equipment	680,003
234	Heritage Assets	234
143	Intangible Assets	236
10,262	Long-term Investments and/or Investments in Associates and Joint Venture	16,499
246	Investments	241
609,126	**Long Term Assets**	**697,213**
768	Assets Held for Sale	1,037
359	Short Term Intangible Assets	344
363	Inventories	458
13,356	Short Term Debtors	13,684
5,000	Short Term Investments	24,000
36,452	Cash and Cash Equivalents	35,692
56,298	**Current Assets**	**75,215**
(1,764)	Short Term Borrowing	(2,617)
(3,126)	Finance Leases including PFI/PPP	(4,308)
(43,225)	Short Term Creditors	(41,897)
(155)	Provisions	(130)
(48,270)	**Current Liabilities**	**(48,952)**
(152)	Provisions – long term	(159)
(62,568)	Long Term Borrowing	(79,951)
(341)	Long Term Creditors	(92)
(988)	Liabilities in associates and joint venture	(354)
(72,825)	PFI/PPP Finance Lease	(90,481)
(172,791)	Defined Benefit Pension Liability	(83,161)
(3,794)	Capital Grant Receipts in Advance	(4,638)
(313,459)	**Long Term Liabilities**	**(258,836)**
303,695	**Net Assets**	**464,640**
(58,876)	Usable Reserves	(58,125)
(244,819)	Unusable Reserves	(406,515)
(303,695)	**Total Reserves**	**(464,640)**

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2018
The audited accounts were authorised for issue on 27 September 2018

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.

2016/17		**2017/18**
£000		**£000**
(8,249)	Net Group (surplus) or deficit on the provision of services	(4,839)
(17,434)	Group adjustments to net surplus or deficit on the provision of services for non-cash movements	(16,764)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(25,683)	Net cash flows from Operating Activities	(21,603)
27,959	Investing Activities	40,441
7	Financing Activities	(18,078)
2,283	Net (increase) or decrease in cash and cash equivalents	760
(38,735)	Cash and cash equivalents at the beginning of the reporting period	(36,452)
(36,452)	**Cash and cash equivalents at the end of the reporting period**	**(35,692)**

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.

	2017/18 £000	2016/17 £000
(Surplus)/Deficit on East Renfrewshire Council's provision of services	**(1,611)**	**(6,347)**
(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:		
Net expenditure/(income) on Trust Funds in year	13	8
Common Good	2	58
East Renfrewshire Culture and Leisure Trust	802	500
(Surplus)/Deficit in year arising from associates included in the Group Accounts:		
• Strathclyde Partnership for Transport	(3,897)	(899)
• Strathclyde Concessionary Travel Scheme Joint Committee	6	(1)
• Renfrewshire Valuation Board	71	41
(Surplus)/Deficit in year arising from a joint venture included in the Group Account:		
East Renfrewshire Integration Joint Board	(225)	(1,609)
GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES	**(4,839)**	**(8,249)**

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 £0.556m at 31 March 2018. The loss on ordinary activities before and after taxation for the year to 31 March 2018 was £0.802m (2016/17 £0.500m).

The latest set of audited accounts is for the year to 31 March 2018. Copies of the audited accounts may be obtained from the Chief Executive, East Renfrewshire Culture and Leisure Trust, St John's Campus, 18 Commercial Road, Barrhead, East Renfrewshire, G78 1AJ.

The Council also exercises a significant influence over a number of entities, details of which are listed below. All of these bodies share the same financial year as the Council and have all been incorporated into the Group Accounts as either associates or joint ventures.

Associates:-

Strathclyde Partnership for Transport

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

Notes to the Group Accounts (cont'd)

The Council contributed £1.6m or 4.27% to the Authority's running costs during 2017/18 and accounted for £14.029m (2016/17 £8.011m) 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 2017/18 the Council contributed £0.174m or 4.17% to the annual running costs and accounted for £0.065m (2016/17 £0.071m) 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 £0.445m or 20.6% to the organisation's revenue costs and its share of the year- end net liability of £0.354m (2016/17 £0.988m) is included in the Group Balance Sheet.

Joint Venture:-

East Renfrewshire Integration Joint Board

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

Integration Joint Boards are specified as Section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Local Authority Accounting in

Notes to the Group Accounts (cont'd)

the United Kingdom 2017/18 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 2017/18 the Council contributed £62.12m or 41.7% to the annual running costs and accounted for £2.405m (2016/17 £2.18m) 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 £17.582m, representing the Council's net share of the net assets in these entities.

4. ACCOUNTING POLICIES

The financial statements in the Group Accounts of East Renfrewshire Council are prepared in accordance with the accounting policies set out for the single entity.

5. PENSIONS

Disclosure of information relating to the pensions of East Renfrewshire Council and its associates follows the reporting requirements of IAS19 Employee Benefits. Information relating to the pensions of subsidiaries follows the reporting requirements of FRS102 (The financial Reporting Standard applicable in the UK and Republic of Ireland) and includes separate assumptions for their actuarial valuation.

6. GOING CONCERN

The Council's share of East Renfrewshire Culture & Leisure Trust's (ERCLT) net reserves is a net liability, this liability is a direct consequence of the requirement to fully account for IAS19 Employee Benefits. The pension liability, due in future years, will be financed by annual pension contributions and returns on pension fund investments.

ERCLT has prepared their accounts on a going concern basis, as has the Council in preparing its Group Financial Statements as it is expected that funding, aligned with robust budget processes, will continue to provide sufficient resources.

Notes to the Group Accounts (cont'd)

7. TRUST FUNDS

The Council acts as Trustees for 17 Trusts, 7 of which have charitable status. These are varied in nature and relate principally to legacies left by individual inhabitants over a period of years. The funds do not represent assets of the Council and are not included in the Council's single entity Balance Sheet.

		Expenditure	Income	Balance 31.03.18	Balance 31.03.17
		£	£	£	£
Charity Number					
SCO05976	Duff Memorial Fund	-	51	7,293	7,242
SCO16641	Newton Mearns Benevolent Fund	553	28	4,244	4,769
SCO19475	Janet Hamilton Fund	658	237	15,320	15,741
SCO19474	John Pattison Memorial	911	45	77	943
SCO19473	Hugh & Janet Martin Fund	1,413	78	1,421	2,756
SCO37293	Netherlee School 1937	20,962	20,111	78	929
SCO37925	Talented Children & Young People	-	2	11	9
CHARITABLE REVENUE BALANCES		**24,497**	**20,552**	**28,444**	**32,389**
	Thornliebank War Memorial Fund	-	3	689	686
	Anderson Bequest	125	6	343	462
	Cathcart Cemetery Fund	-	41	6,157	6,116
	Crum Memorial	-	5	54	49
	McNiven Prize	-	8	907	899
	Rev Denis Reen	-	18	2,157	2,139
	James Cowan Bequest	-	8	372	364
	Cowan Park Cropping Fund	-	2	19	17
	Annie Tyson Trust Fund	-	871	47,334	46,463
	Rita Donnelly Memorial Prize	-	-	20	20
OTHER TRUST FUND REVENUE BALANCES		**125**	**962**	**58,052**	**57,215**

			Capital Value of Fund 31.03.18	Capital Value of Fund 31.03.17
			£	£
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	25,000
	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**	**97,063**
	Annie Tyson Trust Fund	Assisting with special needs training	157,306	157,306
	Other Trust Funds		10,256	10,256
	OTHER TRUST FUND TOTAL RESERVES		**167,562**	**167,562**

Notes to the Group Accounts (cont'd)

		2017/18 £	2016/17 £
Balance Sheet – Charitable	Fund balances	115,507	129,452
	Creditors	-	-
	TOTAL LIABILITIES	**115,507**	**129,452**
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	115,507	129,452
	TOTAL ASSETS	**115,507**	**129,452**

		2017/18 £	2016/17 £
Balance Sheet – Other Trust Funds	Fund balances	225,614	224,777
	Creditors	-	-
	TOTAL LIABILITIES	**225,614**	**224,777**
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	225,614	224,777
	TOTAL ASSETS	**225,614**	**224,777**

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 £69,647 (2016/17, £69,647) representing 2% (2016/17, 2%) of the organisation's estimated running costs for the year to 31 March 2018.

- The **Glasgow and Clyde Valley Structure Plan** Joint Committee is constituted under a formal agreement of the eight Councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for the local planning matters in their area but also the strategic issues that cover the wider area of Glasgow and Clyde Valley. Accordingly the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. During the year, the Council made a contribution of £72,438 (2016/17, £72,438) representing 12.5% (2016/17, 12.5%) of the Committee's estimated running costs for the year to 31 March 2018.

- **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 (2016/17, £16,400) representing 4.19% (2016/17 4.19%) of the consortium's estimated running costs for the year to 31 March 2018.

- 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 (2016/17, £7,619) representing 5.95% (2016/17 5.95%) of the Committee's estimated running costs for the year to 31 March 2018.

- 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 (2016/17 £1,632) representing 3.87% (2016/17 3.87%) of the Forum's estimated running costs for the year to 31 March 2018.

Notes to the Group Accounts (cont'd)

- 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 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 £50,753 (2016/17 £49,604) representing 5.1% (2016/17 5.1%) of the organisation's running costs for the year to March 2018.

- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 28 participating 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 £91,072 (2016/17 £80,744) representing 2.51% (2016/17 2.46%) of the organisation's running costs for the year to 31 March 2018.

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

Glossary of Terms (cont'd)

This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account cannot be used to support spending.

12. Capital Grant Receipts in Advance

This contains any capital grants or contributions which have been received where the related capital expenditure has not yet been incurred and will be released to meet the costs of that capital expenditure as appropriate.

13. Pension Reserve

The Local Government Pension Fund (Scotland) Regulations 2003 came into force on 20 December 2003 and require Local Authorities to set up a pension reserve fund for pension scheme surpluses and deficits. This fund is separate from an authority's General Fund and means that any pension scheme surplus / deficit will not impact on local taxation.

14. Generally Accepted Accounting Practice in the UK (UK GAAP)

The overall body of regulation establishing how Company accounts must be prepared in the United Kingdom. The basis on which Local Authority accounts were previously prepared.

15. International Financial Reporting Standards (IFRS)

The basis on which Local Authority accounts are currently prepared.

16. Subsidiary

An entity over which the Council has overall control through the power to govern its financial and operating policies so as to obtain benefits from the entity's activities.

17. Associate

An entity other than a subsidiary or joint venture in which the reporting authority has a participating interest and over whose operating and financial policies the reporting authority is able to exercise significant influence.

18. Joint Venture

A contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control.

19. Entity

A body corporate, partnership, trust, unincorporated association, or statutory body that is delivering a service, or carrying on a trade or business, with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single-entity accounts.

20. Common Good

Denotes all assets of the former Burghs not acquired under statutory powers or held under special trusts and reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh

Independent Auditor's Report

Independent Auditor’s Report (cont’d)

Independent Auditor's Report (cont'd)

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