AGENDA ITEM No. 5

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

26 September 2019

Report by Head of Accountancy (Chief Financial Officer)

2018/19 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST RENFREWSHIRE COUNCIL

PURPOSE OF REPORT

1. The Audit of the Council's Annual Accounts for 2018/19 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 2018/19 has been prepared by the External Auditors making 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 2018/19 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 2018/19; and
- Remit the report to Council for consideration.

BACKGROUND

3. The external audit of the Council's Annual Accounts for 2018/19 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: -

- As the Council operated comfortably within budget it did not require to drawdown £1,355k from reserves as planned and the accounts reflect transfers totalling £2,771k from the General Fund balance to the following reserves:-

	£'000
General Fund	
Non-Earmarked	421
Modernisation Fund	1,000
Equalisation Reserve	200

Feasibility Fund	200
	1,821
Capital Reserve	550
Repairs & Renewals Fund	400
	2,771

- The Council's Non-Earmarked General Fund reserve has been increased by £421k resulting in a balance of £10,554k as at 31 March 2019 (4.4% of the annual budgeted net revenue expenditure). This is slightly above the Council's most prudent target level of 4%, however the balance will significantly reduce as the Council has budgeted to utilise £4,312k of this reserve during 2019/20.

- The accounts reflect the establishment of a Feasibility Fund to permit early preparation and investigations for potential capital projects. This will enable a faster start on major new capital schemes as work to identify any design or ground condition issues can be taken forward in advance of formal approval of the Capital Plan.

- Capital Expenditure of £41,187k was invested.

- There has been an operating surplus of £89k on the Housing Revenue Account, this increasing the accumulated surplus balance to carry forward to £1,718k.

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 2018/19 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 2018/19 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 2018/19; and

- Remit the report to Council for consideration.

REPORT AUTHOR

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

BACKGROUND PAPERS

This report refers to the Council's Annual Accounts for 2018/19 and the External Auditor's Annual report to the Council and the Controller of Audit for 2018/19.

KEY WORDS

Annual Accounts, external audit

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8 Nelson Mandela Place
4th Floor
Glasgow
G2 1BT

T: 0131 625 1500
E: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

Audit and Scrutiny Committee

26 September 2019

East Renfrewshire Council
Audit of 2018/19 annual accounts

Independent auditor's report

1. Our audit work on the 2018/19 annual accounts is now complete. Subject to the 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 26 September 2019. (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 2018/19 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.

AUDIT SCOTLAND

APPENDIX A: Proposed Independent Auditor's Report

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

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 2019 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 Sheet, Cash Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement , National Non Domestic Rates, Council Tax, 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the council and its group as at 31 March 2019 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 2018/19 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)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 was appointed by the Accounts Commission on 07 January 2019. This is the first year of my appointment. 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. Non-audit services prohibited by the Ethical Standard were not provided to the council. 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Head of Accountancy (Chief Financial Officer) and 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 obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Report on other requirements

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.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

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, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

John Cornett, FCPFA
Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2019

APPENDIX B: Letter of Representation (ISA 580)

John Cornett, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear John,

East Renfrewshire Council
Annual Accounts 2018/19

1. This representation letter is provided about your audit of the annual accounts of East Renfrewshire Council for the year ended 31 March 2019 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 2019.

General

3. East Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2018/19 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 2018/19 (2018/19 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 East Renfrewshire Council and its Group at 31 March 2019 and the transactions for 2018/19.

Prior year Adjustments

7. A prior year adjustment has been reported in relation to the valuation of housing stock. I have ensured that the figures re-stated reflect the correction of an error identified with the rent applied in the years 2011/12 to 2017/18. I am satisfied that the figures within the financial statements reflect an appropriate valuation of council housing stock at 31 March 2019.

8. The 2017/18 financial statements were re-stated due to a change in requirements in 2018/19 accounting code in relation to internal transactions. I am satisfied that the correction made reflects the new requirements.

Accounting Policies & Estimates

9. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2018/19 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's circumstances and have been consistently applied.

10. 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

11. I have assessed East Renfrewshire Council'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 ability to continue as a going concern.

Assets

12. 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 2019 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

13. I carried out an assessment at 31 March 2019 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

14. 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 of the council's legal team and has confirmed all required titles have been recognised as common good.

15. 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.

16. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2019.

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

18. Owned assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

Liabilities

19. All liabilities at 31 March 2019 of which I am aware have been recognised in the annual accounts.

20. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2019 of which I am aware where the conditions specified in the 2018/19 accounting code have been met. The amounts recognised as provisions are the best estimate of the expenditure likely to be required to settle the obligations at 31 March 2019. 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.

21. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2019 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

22. The accrual recognised in the financial statements for holiday untaken by 31 March 2019 has been estimated on a reasonable basis.

23. 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.

24. 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

25. There are no significant contingent liabilities, other than those disclosed in Note 41 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 2018/19 and IAS 37.

Fraud

26. 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

27. 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

28. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2018/19 accounting code. I have made available to you the identity of all of East Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

29. 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

30. 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

31. I confirm that East Renfrewshire Council has undertaken a review of the system of internal control during 2018/19 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.

32. 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 2019, which require to be reflected.

Group Accounts

33. 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 2018/19 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

34. All events subsequent to 31 March 2019 for which the 2018/19 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Section 95 Officer

East Renfrewshire Council

2018/19 Annual Audit Report – DRAFT

AUDIT SCOTLAND

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

26 September 2019

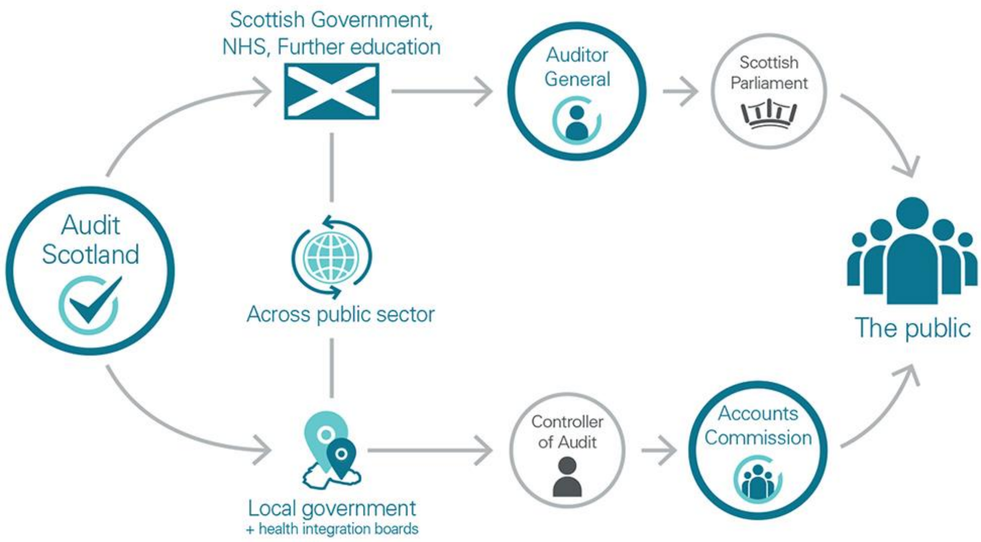
Who we are

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

2018/19 Annual accounts

1 East Renfrewshire Council (the Council) and its group financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, 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 relevant regulations and guidance.

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 a budget process focussed on the Council's priorities.

5 Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas as reported to members in June 2019.

6 The Council should continue to review its budget monitoring to ensure forecasts of final outturn positions reflect actual spending patterns and demand.

Financial sustainability

7 The Council and its group's 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.

8 There are long-term financial plans which demonstrate how the Council will address future budget challenges. A savings requirement of £28.142 million (before Council tax increases) has been identified for 2019/20 and 2020/21. Due to savings already made by services, it will be increasingly difficult for the Council to make the required savings in future years.

9 The Council has increased the balance on the General Fund by £3.2 million and ended the year with a total General Fund balance of £29.603 million. There are plans to utilise reserves balances in future years to meet funding gaps.

Governance and transparency

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

11 The Council demonstrates a commitment to openness and transparency in the way it conducts its business.

Value for money

12 **The Council continues to progress the recommendations from the Best Value Assurance Report published in November 2017. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.**

13 **The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting the statutory equality duties. Some equality processes require ongoing development to ensure continuous improvement.**

Actions to take forward

14 **The Accommodation Strategy and development of a Corporate Landlord approach remain outstanding. These will be critical for informing future Council decisions on the planned new build leisure centre and the Eastwood Park master plan.**

15 **The introduction of core financial systems during 2019/20 will impact on our audit work.**

Introduction

1. This report summarises the findings arising from the 2018/19 audit of East Renfrewshire Council (the Council) and its group.

2. The scope of the audit was set out in our 2018/19 Annual Audit Plan presented to the 14/03/2019 meeting of the Audit & Scrutiny Committee. This report comprises the findings from:

- an audit of the annual report and 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 2018/19 have been:

- an audit of the Council and its group 2018/19 annual report and 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 of the Council's key financial systems
- audit work covering the Council's arrangements for securing best value relating to Equalities and a follow up of issues raised in 2017/18
- consideration of the four audit dimensions

Added value through the audit

4. We add value to the East Renfrewshire Council through the audit by:

- meeting with the Chair and Vice Chair of the Audit and Scrutiny Committee and the Council's Scrutiny and Evaluation Officer to share our experiences from other audited bodies on income generation projects.
- early engagement with officers on the Council Dwellings revaluation issue to understand the causes and impact of the matters identified
- identifying and providing insight on significant risks, and making clear and relevant recommendations for improvements that have been accepted by management
- sharing intelligence and good practice through our national reports (Appendix 4) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability

5. In so doing, we aim to help East Renfrewshire Council promote improved standards of governance, better management and decision making and more effective use of resources.

Responsibilities and reporting

6. 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.

7. 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.

8. 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.

9. As public sector auditors we give independent opinions on the annual report and accounts. Additionally, we conclude on:

- the effectiveness of the Council's performance management arrangements,
- the suitability and effectiveness of corporate governance arrangements, and financial position
- the arrangements for securing financial sustainability and,
- best value arrangements.

10. In doing this we aim to support improvement and accountability. Further details of the respective responsibilities of management and the auditor can be found in the *Code of Audit Practice 2016*.

11. This report raises matters from the audit of the annual report and accounts and consideration of the audit dimensions. Weaknesses or risks identified are only those which have come to our 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.

12. 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 the steps being taken to implement them.

13. 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 2018/19 audit fee of £227,130 as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. 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 in due course.

15. We would like to thank all management and staff for their cooperation and assistance during the audit.

Part 1

Audit of 2018/19 annual accounts

Main judgements

East Renfrewshire Council (the Council) and its group financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, 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 relevant regulations and guidance.

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

The annual accounts are the principal means by which the Council and its group account for the stewardship of its resources and performance in the use of those resources.

Audit opinions on the annual accounts

16. The annual accounts for the Council and its group for the year ended 31 March 2019 were approved by East Renfrewshire Council on 26/09/2019. We reported, within the independent auditor's report that the;

- financial statements give a true and fair view of the state of affairs of the Council at 31 March 2019 and of its income and expenditure for the year then ended, 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 relevant regulations and guidance

17. We have nothing to report in respect of misstatements in information other than 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

18. 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.

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

- the financial statements properly present 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.

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Submission of the Council and its group annual accounts for audit

20. We received the unaudited annual accounts on 20 June 2019 in line with the agreed audit timetable set out in our 2018/19 Annual Audit Plan.

21. The working papers provided with the unaudited accounts were generally 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 (WGA)

22. In accordance with the WGA guidance, the Council submitted a consolidation pack for the whole of government accounts audit on 4 July 2019 in line with the deadline. This will allow us to complete the required assurance statement and submit to the National Audit Office (NAO) by the 27 September 2019 deadline.

Risk of material misstatement

23. Appendix 2 provides a description of those assessed risks of material misstatement in the annual accounts and any wider audit dimension risks that were identified during the audit planning process. It also summarises the work we have done to gain assurance over the outcome of these risks.

24. We have no issues to report from our work on the risks of material misstatement highlighted in our 2018/19 Annual Audit Plan. In response to the risk relating to estimation and judgement, we have requested additional reporting of the judgements made by the valuer with regard to valuations provided where rent has been used to calculate market value. While we acknowledge that progress has been made during the year, we continue to raise a recommendation relating to the arrangements for disaster recovery and business continuity. An update position is provided in paragraph 84.

Materiality

25. 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.

26. 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.

27. 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 million
Performance materiality	£1.8 million
Reporting threshold	£30 thousand

Source: Audit Scotland, Annual Audit Plan 2018/19

Significant findings from the audit in accordance with ISA 260

28. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices covering accounting policies, accounting estimates and financial statements disclosures.

29. The significant finding is 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..

Exhibit 3
Significant finding from the audit of the financial statements

Issue	Resolution
1. Netherlee School 1937 Endowment Trust The Netherlee School 1937 Endowment Trust is one of the seven section 106 charities administered by the Council. The objects of the Trust are to advance the education of the pupils and former pupils of Netherlee Primary School which includes using trust funds for educational purposes. There was a payment of £10,000 during 2018/19 from the Trust to a pupil to support her in her academic studies It was very difficult to obtain supporting audit evidence to confirm what this money was actually spent on and whether it was in line with the objects of the Trust. In line with the terms of the Trust Deed, the Trustees should ensure that expenditure should further the purposes of the Trust. We recommended in our 2016/17 Annual Audit Report that the Trustees of the Netherlee School Trust should consider the introduction of processes by which the proper use of funding awards could be	The Trustees of the Netherlee School 1937 Endowment should maintain evidence on the actual use of grant awards which supports the proper use of Trust funds. Recommendation 1 (refer appendix 1, action plan)

Issue	Resolution
confirmed. We repeat the need for such processes to be introduced.	

Subjective aspects of the audit

30. We have no significant findings to report about the subjective aspects (e.g. accounting policies, accounting estimates, and financial statements disclosures) of the 2018/19 accounting practices.

How we evaluate misstatements

31. It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. There were no material adjustments to the unaudited Annual Report and Accounts arising from our audit.

Amendments to the accounts arising from legal and other judgements made after the accounts had been submitted for audit

32. The Council accounts for its share of Strathclyde Pension Fund in accordance with International Accounting Standard 19 Employee Benefits (IAS19) based on valuations of pension fund assets and liabilities by the actuary.

33. At the end of June 2019, the UK government were refused the right to appeal an age discrimination legal ruling (commonly referred to as the McCloud Ruling) relating to the transitional arrangement within firefighters and judges pension schemes. This ruling will impact on other public sector pension schemes, including Local Government Pension Scheme (LGPS), which have seen similar changes in their pension schemes.

34. Following the decision, the Council requested a revised IAS19 report from the actuary in order to quantify the increase in estimated liabilities as a result of the ruling. This revised report estimated the actuarial present value of promised retirement benefits as £134,841 million, an increase of £6.8 million. As this adjustment is fully mitigated by a statutory adjustment, it has no impact on the reported general fund reserve balance.

35. We reviewed the adjustments and were satisfied that the updated net pension liability reflected in the audited financial statements was properly stated.

36. Other than the change in the valuation of the pension fund liability as noted above, there were no material adjustments. We identified the following five misstatements which have been adjusted in the Council's financial statements:

- A reduction in property, plant and equipment of £0.284 million due to the late impairment of an asset
- A reduction of £0.226 million in property, plant and equipment due to the incorrect classification of two intangible assets
- An increase in property, plant and equipment of £0.038 million due to an error on the valuation certificate
- An increase of £0.288 million in common good assets due to valuations not being updated on the fixed asset register
- A decrease of £0.405 million to reflect the audit adjustments made to the 2018/19 accounts of the East Renfrewshire Leisure Trust.

37. All individual misstatements which exceeded our reporting threshold have been amended in the audited financial statements. There are no unadjusted errors.

Follow up of prior year recommendations

38. Progress in implementing our audit recommendations in the 2017/18 Annual Audit Report has been mixed. We repeat our recommendations made on the accommodation strategy and business continuity. Updated actions have been provided for housing stock valuations, budget underspends and reporting arrangements for the Transformation Programme. These revised responses and timescales have been agreed with management and are set out in Appendix 1.

39. In 2017/18 as part of our recommendation on the valuation of the Council's housing stock, we noted that arrangements between the finance department and the in-house valuer would benefit from more formal procedures. We also note since moving to a 5-year rolling valuation programme in 2017/18, the Council has not yet developed and implemented a formal process for completing an annual impairment review of the Council's property portfolio.

40. To allow Accountancy Services to take ownership of the process, we recommend that the instruction on the valuation from finance to the valuer be further formalised, to include the assets to be revalued, the need for the valuer to conduct an annual impairment review of assets and a requirement for the valuer to set out their approach to the use of indexation factors.

Recommendation 2

The instruction on the valuation from finance be further formalised to include: the assets to be revalued and that valuation be provided in accordance with The CIPFA Property Valuation Guide; the need for the valuer to conduct an annual impairment review of assets; and requirement for the valuer to set out their approach to the use of indexation factors

Integration Joint Board

41. The Council has appropriately included its share of the financial transactions of the Integration Joint Board (the IJB) within its group financial statements. Our work on group disclosures included testing the accuracy and reliability of the IJB figures used in the group consolidation process. We also considered whether the Council's share of the IJB's financial transactions had been properly accounted for. This provided us with the required assurances on the accuracy and completeness of IJB figures included in the accounts. Further detail and commentary are provided in Part 4 of this report,

Other findings

42. Our audit identified several presentational and disclosure issues which were discussed with management. This included the need to include more non-financial performance information in the Management Commentary. Additional disclosures have been included which provide an overview of the Council's performance against the five outcomes set out in the Community Plan. The Council have agreed to further consider their performance reporting within the Management Commentary in 2019/20 to ensure this reflects and enhances the public performance reporting already undertaken.

Recommendation 3

Further develop and enhance the reporting of non-financial performance within the management commentary for 2019/20

43. Capital grants in advance disclosed on the balance sheet, includes £2.698 million received from construction companies who have undertaken building projects within the Council area. The accounting treatment of such income is dependent on an assessment of any conditions which may be applied by the developer. Currently the Council has recognised these monies as being grants received in advance as there is a risk that these contributions may have to be repaid to developers. The Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) requires that a full analysis of the legal agreements covering developers' contributions should be completed to ascertain the existence of conditions and the proper accounting approach. The Council have agreed to undertake this review early in 2019/20.

Recommendation 4

The Council should undertake a review of all monies received from developers to ensure compliance with the Code and ensure that the accounting treatment reflects any conditions which may apply

Objections

44. 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 a budget process focussed on the Council's priorities.

Systems of internal control operated appropriately and effectively in 2018/19 with scope for improvements in some areas as reported to members in June 2019.

The Council should continue to review its budget monitoring to ensure forecasts of final outturn positions reflect actual spending patterns and demand.

Good financial management is the result of appropriate financial capacity, sound budgetary processes and whether the control environment and internal controls are designed and operating effectively

Financial performance in 2018/19

45. The Council approved its 2018/19 budget in March 2018. The budget was set at £234 million with a funding gap of £6.397 million. Plans to address this gap included £1.567 million from a Council tax increase of 3%, £3.330 million of savings and a transfer of £1.500 million from reserves.

46. The Council has a track record in delivering services within budget and our Best Value Assurance Report (BVAR) published in November 2017, highlighted the Council's history of significant budget underspends. Since then the Council has reviewed its budget setting process and taken steps to minimise the occurrence of unbudgeted year end surpluses. The Council has reported a year-end £4.126 million underspend against the original budget for 2018/19 and therefore the planned use of reserves during the year has not been required.

47. The last projected 2018/19 outturn reported to members in April 2019 forecast an underspend of £1.654 million. The actual outturn reported to members in August 2019 of £4.126 million represents a 149% movement on the previous forecast outturn position.

48. As with previous years, all service departments' net expenditure has been within the approved budgets. The reasons provided to members by the Council for the 2018/19 underspend are:

- Payroll costs being lower than planned due to increased staff vacancies, this is against a higher than anticipated pay award;
- Procurement and utility costs being lower than planned;
- Income recovery exceeded expectations;

- As a result of departmental underspends, there has been a reduced utilisation of centrally held contingency being used to fund redundancy costs; and

- Capital financing savings due to slippage within the capital programme and lower than expected interest rates.

49. The reasons for the budget underspend remain largely similar to the reasons of previous years. In addition, due to the funding pressures anticipated going forward, particularly in 2020/21, the Council had requested that departments implement identified savings at the earliest opportunity to allow for an increase in reserves to mitigate the future savings requirements.

50. In 2017/18, the Council reviewed contingency budgets and undertook to reallocate these budgets within departments. The 2018/19 budget is the first full year of these budget reallocations and while an underspend has been reported at the year end, this is an underspend of 2% of budget compared with 4% in 2017/18.

Recommendation 5

The Council should continue to review its budget to ensure budgets and forecasts reflect actual spending patterns and demand.

Housing revenue account

51. The Council is required by legislation to maintain a separate housing revenue account and to ensure that rents are set to a level which will at least cover the costs of its social housing provision. The Council approved a rent increase of 3.9% for 2018/19.

52. Income and expenditure reported in the Housing Revenue Account were in line with budget with a small underspend on £0.089 million being recorded. This has had the impact of increasing the housing reserve to £1.7 million.

Reserves

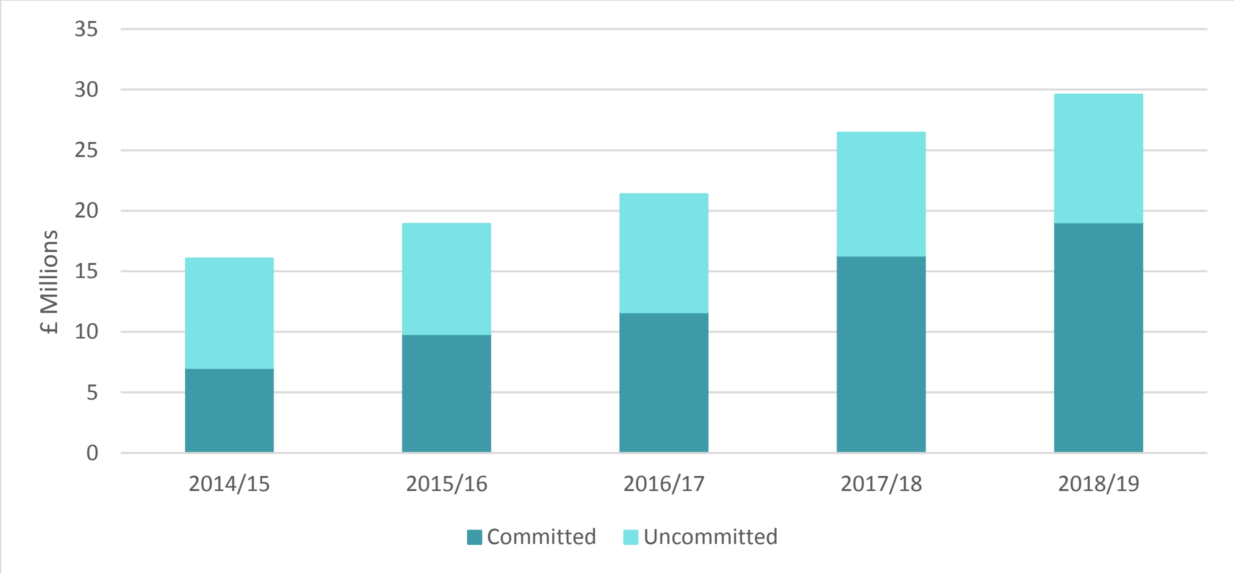
53. One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £49.9 million in 2017/18 to £43.7 million in 2018/19. The reason for the reduction was the planned use of £8.5 million from the Capital Reserve to fund expenditure. Within the overall level of usable reserves, the General Fund balance has increased by £3.2 million during the year to £29.6 million at 31 March 2019.

54. The General Fund is the largest reserve and is a contingency fund to meet unexpected expenditure and a working balance to help cushion the impact of uneven cash flows. The General Fund balance is split between committed reserves of £19.049 million set aside for specific purposes and uncommitted reserves of £10.554 million

55. The Council reviews the level of its reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be 4% of net revenue. The level of uncommitted General Fund reserves as at 31 March 2019 was £10.554 million and this represents 4.4% of net revenue.

56. Exhibit 4 provides an analysis of the general fund reserves over the last five years split between committed and uncommitted reserves. This shows an ongoing increase in the levels of reserves. This is due partly to the ongoing underspends reported by the Council and to the establishment of new funds. While the level of non-committed general fund reserves has remained relatively stable, the level of committed balances has increased by £12 million over the past 5 years.

Exhibit 4
Analysis of general fund over last five years



Source: East Renfrewshire Council Annual Accounts

57. Within the committed reserves of £19.049 million, the largest fund is the Modernisation Fund. The current balance on this fund is £7.660 million. The purpose of the fund is to enable upfront investment required to support the Council's transformation programme. As part of the budget papers approved in February 2019, the Council estimated £1 million of expenditure to be financed from the Modernisation Fund each year for the next 3 years. Expenditure from the fund will be on business cases approved by Corporate Management Team (CMT).

58. Further analysis on the other funds included in the committed reserves is detailed in Exhibit 5.

Exhibit 5
Analysis of committed general fund reserves

Fund	Description	Net Movement In 2018/19	Closing Balance
Equalisation Fund	To mitigate any future revenue impact of PPP/PFI contracts	£0.241m	£2.799 m
Modernisation Fund	To facilitate the Council's transformation programme	£0.368m	£7.660 m
Unspent Grants	Grants received which the Council has not spent due to timing	£0.901m	£2.003m
Whitelee Windfarm	Contributions and projects at Whitelee Windfarm	(£0.088m)	£0.692m
Commuted Sums	Amounts received from developers' contributions under planning act	£0.199m	£2.493m
Devolved school management	Allows Head teachers to carry forward a set % of school budget	£0.931m	£3.202m
Feasibility fund	To allow for early preparation and investigations for capital projects	£0.200m	£0.200m
TOTAL			£19.049m

Source: East Renfrewshire Council Annual Accounts

Efficiency savings

59. With reducing funding from government and increasing demand for Council services, efficiency savings are an important means of bridging the gap between funding received and spending commitments.

60. The Council achieved its planned budgeted savings of £3.330 million in 2018/19. The Council is required to make an unaudited annual return to the Scottish Government in respect of recurring efficiency savings. The unaudited annual efficiency statement was presented to the Cabinet on 15/08/19 and records efficiency savings of £3.375 million.

Capital programme 2018/19

61. Total capital expenditure in 2018/19 was £41.187 million of which £32.559 million was related to general services and £8.628 million to the housing revenue account.

62. The final 2018/19 capital monitoring report to Cabinet in March 2019 reported an approved a total capital programme of £43.368 million (£34.287 million for general fund and £9.081 million for housing). This represents a reduction of £21.788 million (33%) against the original capital programme approved by members in March 2018 due to the reprofiling and delays in capital projects.

63. Actual capital spend was £2.181 million (5%) below the revised budget. The Council has a history of slippage/under-spending in its capital programme as outlined in Exhibit 6.

Exhibit 6
Capital slippage compared to budget (general fund and HRA)

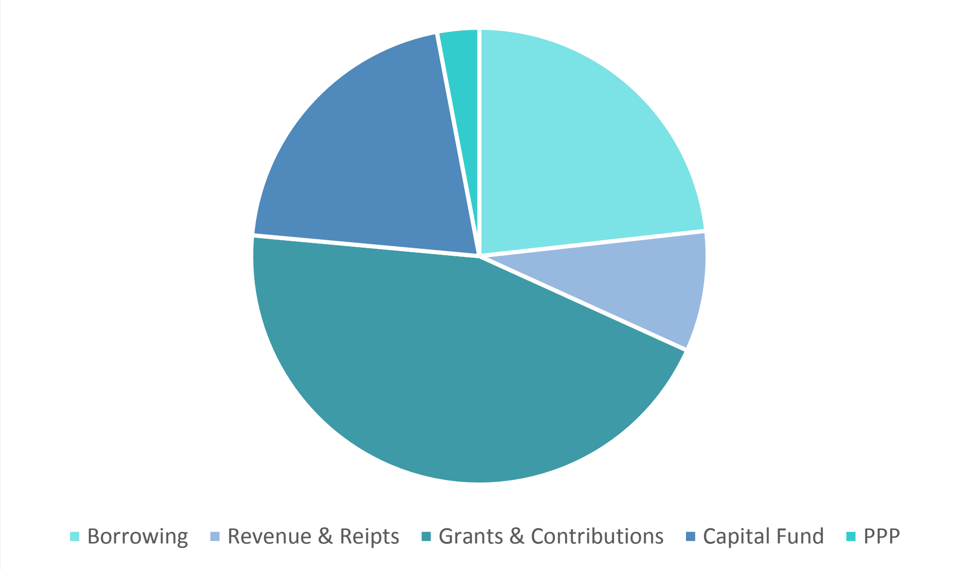
Source: East Renfrewshire Annual Accounts

64. Within the General Fund, the main areas of capital slippage include delays in a nursery refurbishment,which did however open in August 2019 as planned, the 1140 hours early years expansion which is a major capital programme and a delay in the office accommodation strategy.

65. The Council's plan for building new housing stock is split into two phases. Phase two was originally planned to start in November 2018 and is now scheduled to begin in Autumn 2019 because of delays in building the supporting roads network which is being completed as part of the City Deal. This has not impacted on the scope of the programmes.

66. The Council's 2018/19 Investment Programme expenditure was funded as noted in Exhibit 7.

Exhibit 7
Sources of Funding



Capital Funding in 2018/19 Source: East Renfrewshire Council Annual Accounts

67. One of the capital projects completed in 2018/19 was the Greenlaw Business Centre. This was included as an operational asset on the balance sheet at 31 March 2019 and was revalued by the valuer at 31 March 2019. The Centre cost £5 million to construct and was valued at £0.7 million for the building and £0.3 million for the land. The valuer has appropriately adopted the use of a market rent valuation basis. As this property was built by the Council as a business incubator to support small businesses and start-ups, a void risk element has been incorporated into the valuation. The application of a risk yield introduces an element of volatility to the valuation and occupancy levels should be kept under review by the valuer to ensure the current risk yield remains appropriate.

Recommendation 6

The actual occupancy levels of the Greenlaw Business Centre should be kept under review and appropriately reflected in future valuations.

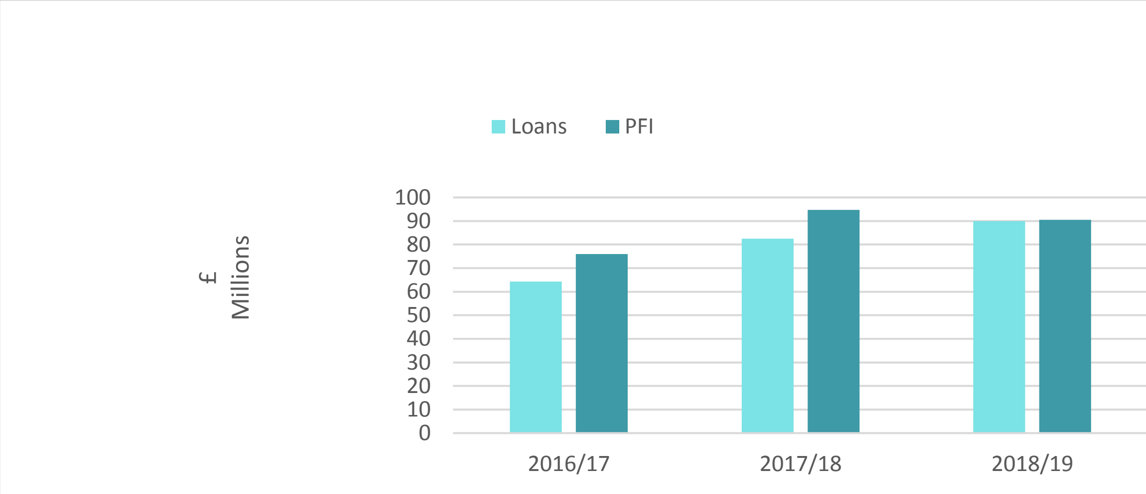
Borrowing in 2018/19

68. As shown in Exhibit 8, the Council's outstanding loans at 31st March 2019 were £180.431million, of which £90.48 million (50%) relates to the Council's PFI and PPP commitments

69. The future revenue commitment to the Council over the term of the PFI and PPP contracts was £191 million (£204 million 2017/18) and represents a significant future pressure on budgets with current PFI/PPP contracts due to end between 2026 and 2042. The Council maintains an equalisation fund which is to mitigate future affordability gaps with PFI/PPP expenditure, the balance of which is kept under review. The balance on the fund at 31 March 2019 was £2.799 million.

70. Total external debt, which includes the Council's long-term liabilities, was within the authorised limit and operational boundary set by the treasury management strategy. With regard to current guidance and good practice, we conclude that the Council continues to have a prudent approach to borrowing and continues to consider the affordability of future borrowing.

Exhibit 8
Overall indebtedness over past 3 years



Source: East Renfrewshire Council Annual Accounts

Budgetary process

71. The *Local Government in Scotland: Financial overview 2017/18* (November 2018) highlighted the need for Councils to set realistic and accurate budgets and forecasts.

72. Financial forecasting is an embedded part of the Council's budget setting process and it continues to develop the use of scenario planning to improve the accuracy of its longer-term financial forecasts.

73. Revenue and capital monitoring reports provide an overall picture of the Council's budget position at service level. The monitoring reports provide comprehensive explanations for significant variances against budget. However as noted previously, considerable differences remain between the projected outturn position reported to members towards the year-end and the final outturn position.

Systems of internal control

74. 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.

75. The findings from our review were included in our management report presented to the Audit and Scrutiny Committee on 20/06/2019. We concluded that the key controls were operating effectively. No significant internal control weaknesses were identified which could affect the Council's ability to record, process, summarise and report financial and other relevant data which could result in a material misstatement in the financial statements.

Internal audit

76. We reviewed the Council's internal audit arrangements in accordance International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could use their work. We have used the work of internal audit in accordance with the areas reported in our annual audit plan, specifically aspects of the Council tax system, creditor payments and payroll.

Standards of conduct for prevention and detection of fraud and error

77. 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.

78. 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 at this time.

National Fraud Initiative

79. 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.

80. NFI activity to 30 June 2019 is summarised below:

NFI activity

3294	**1111**	**2582**
Matches	**Recommended for investigation**	**Completed/closed investigations**

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

81. At 30 June 2019, the Council had reviewed 1,592 of the 2,288 creditors matches and 990 of the 1,006 Council tax single persons discount matches. It is in the process of recovering £32,858 due to Council tax single person discount fraud and £33,316 relating to fraud and claimant error in Housing Benefits and Council Tax Reductions.

82. It is clear that the Council is engaged with the NFI exercise and proactively investigates matches. Priority is given to high risk matches after which the aim is to follow up all matches identified. Performance targets are set and progress in the follow up of matches is regularly reported to senior management and reported annually to the Audit and Scrutiny Committee.

ICT controls

83. As part of our audit work in 2018/19, we have reviewed the ICT control environment within the Council. This work included a review of access controls, and feeder system reconciliations.

84. We had identified in both 2016/17, 2017/18 and in our 2018/19 Annual Audit Plan that the Council's arrangements for disaster recovery and business continuity were potential areas of risk.

85. Following a change in responsibility for Business Continuity during 2018/19, the Council are now working to align Business Continuity Plans to the IT Disaster Recovery plan. This work is being progressed through the CRMT (Crisis Resilience Management Team)

86. A report is due to go to the Corporate Management Team (CMT) later in 2019 which will provide an update on the status of all Business Impact Assessments (BIAs) and Restoration plans. Dedicated ICT resource continues to be in place for the continuing IT Disaster Recovery work with plans and additional resources identified

87. Until the full implementation of these revised arrangements there is a risk that the Council will suffer a loss of data and disruption to services in the event of a major system failure or disaster.

Recommendation 7

East Renfrewshire Council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are current and tested

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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.

There are long-term financial plans which demonstrate how it will address future budget challenges. An updated savings requirement of £28.142 million (before Council tax increases) has been identified for 2019/20 and 2020/21. Due to savings already made by services, it will be increasingly difficult to make the required savings in future years.

The Council has increased the balance on the General Fund by £3.2 million and ended the year with a total General Fund balance of £29.603 million. There are plans to utilise reserves balances in future years to meet funding gaps.

Financial sustainability focuses on the medium and long term to consider whether a body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Financial planning

88. 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 and which reflect the impact of future pressures on the Council. The Accounts Commission recommends that Councils should plan for a range of scenarios, so they are prepared for different future levels of funding and income.

89. As part of the annual budget setting meeting, the Council present their long-term financial plan, covering the period 2019 to 2025. This provides detail on the range of funding scenarios which the Council is planning for, and also provides some useful commentary and narrative for the economic and demographic that the Council is planning for over the period.

90. The Council operates a 3-year budget cycle. The current cycle covers the period 2018/19 to 2020/21. This therefore means that 2019/20 is the 2nd year of the programme. While approving the 2019/20 budget, members provisionally approved the 2020/21 budget.

Funding position and savings plans

91. The Council is facing several challenges in maintaining a sustainable financial position over the medium to long term. These include rising demand for services, increasing cost of services and reductions in funding from central government.

92. The Council's 2019/20 budget estimates forecast a total funding gap of £28.142 million for 2019/20 and 2020/21. A Council tax increase of 3% per annum has been approved, leaving a savings requirement of £24.754 million which is split £11.824 million and £12.930 million respectively for each year. The Council plans to bridge these gaps mostly by efficiency savings and the use of reserves as illustrated in Exhibit 9.

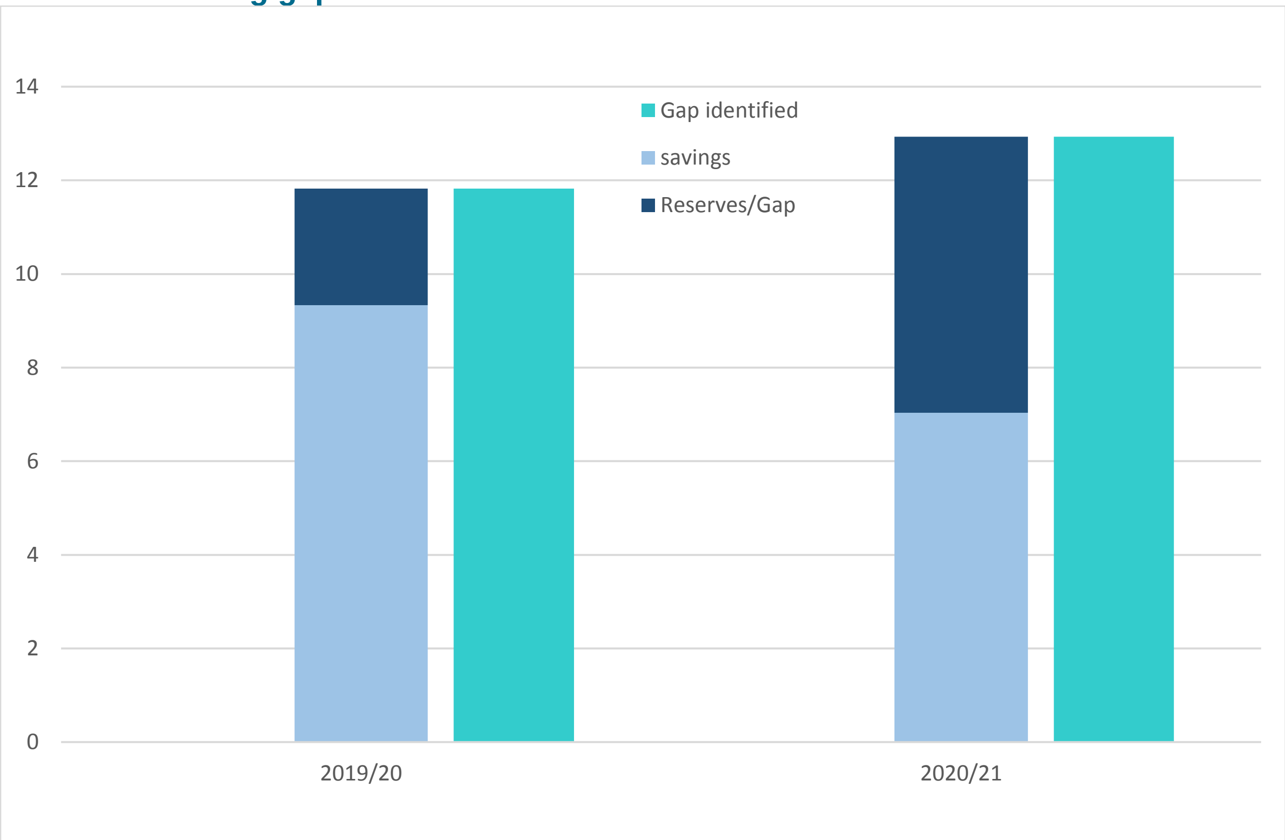
93. Of the £24.754 million savings requirement, the Council has, to date, approved savings of £16.368 million of which £6.4 million is dependent upon the successful delivery of the Council's Modern Ambitious Programme (MAP). After the additional use of reserves approved in 2019/20 of £2.492 million, a funding gap of £5.894 million remains for 2020/21. The Council is currently working on plans to address this gap.

94. The Council has a strong history of delivering target savings plans. Over the last five years the Council has delivered approved savings of over £29 million. However, having delivered these savings, securing further savings is likely to be difficult while maintaining the same level of service provision. Increasingly alternative service redesign will be required to address identified funding gaps, and this may include taking some difficult decisions around service provision.

Recommendation 8

The Council has identified that it needs to make savings of £24.754 million for the period 2019/20 to 2020/21. £16.368 million of future savings have been identified along with the use of reserves approved by members. A funding gap of £5.894 million remains for 2020/21.

Exhibit 9
Identified funding gaps 2019/20 – 2021/22



Source: East Renfrewshire Council Revenue Estimates 2019/20

Changing landscape for public financial management and medium to long term financial planning

95. Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for some social security benefits. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater uncertainty and complexity.

96. A new Scottish budget process has been introduced, which is based on a year-round continuous cycle of budget setting, scrutiny and evaluation. As part of the new budget process, the Scottish Government published an initial five-year Medium-Term Financial Strategy (MTFS) in May 2018. The five-year outlook for the Scottish budget, set out in the MTFS, provides useful context for bodies' financial planning.

97. The Council has referred to the MTFS in its Financial Strategy and will reflect assumed changes to the future levels of Scottish Government funding settlements in its future financial plans.

EU Withdrawal

98. There remains significant uncertainty surrounding the terms of the UK's withdrawal from the European Union (EU). EU withdrawal will inevitably have implications for devolved government in Scotland and for audited bodies. 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 potential changes to migration are likely to affect the availability of the people and skills needed to deliver services.

- Funding – the extent to which potential changes to existing EU funding programmes are likely to affect the finances of public bodies and the activity that such funding supports.

- Regulation – the extent to which potential changes to EU regulations are likely to affect the activities of some public bodies.

99. The risks associated with leaving the European Union is one of the top risks included on the Council's corporate risk register. Progress against the planned mitigating actions is periodically reviewed by the Audit and Risk Committee and is a standing item on every meeting of the Corporate Management Team.

100. In line with good practice, the Audit and Scrutiny Committee has considered the Audit Scotland report "Withdrawal from the European Union - Key audit risks for the Public Sector" and has assessed the current level of the Council's preparedness against the key areas of people, finance and rules and regulations. In addition, the Council's Treasury Management Strategy for 2019/20 noted the possible impact of Brexit on future treasury management policies.

101. The Council is strengthening its preparedness for the outcome of Brexit and have recently appointed a Brexit Coordinator and established a Brexit Working Group to coordinate and monitor progress on the various aspects of Brexit including internal preparedness and liaison with external bodies.

Asset management

102. With continued pressures on budgets and expenditure, asset management is a critical tool in ensuring the Council achieves best value across its capital estate. We considered the Council's approach to planning and managing its portfolio of assets as part of the Best Value audit in 2017. The Council's progress to date in improving asset management has been mixed and there remain a number of actions to take forward. This is further detailed at Part 5 (para 126).

Business transformation

103. Audit Scotland's *Local government in Scotland – challenges and performance 2019* (April 2019) highlighted the importance of developing alternative forms of service delivery to meet the challenges of tightened budgets and to transform public services in Scotland.

104. The Council's Modern Ambitious Programme (MAP) is a mixture of development projects and reviews of existing services. The Council's focus over the preceding year has been the development of its core systems programme for replacing the Council's systems for finance and procurement and for payroll and human resources along with establishing a Council wide digital programme.

105. We considered the Council's governance framework for its improvement and change programmes as part of the Best Value audit. Since then the Council has made steady progress in improving the monitoring and reporting of its MAP projects. This is further detailed at Part 5 (para 123).

Workforce planning

106. The Council has made good progress in workforce planning and has in place a Workforce Plan and Strategy covering 2018-2021. This includes details of workforce priorities, the likely future shape and characteristics of the Council and required workforce. A workforce planning working group meets regularly to review the overall strategy and actions for the Workforce Plan and progress against the priorities in the plan is formally reported to the Corporate Management Team.

107. The Council has identified a future reduction in the workforce of potentially 265 employees and a separate increase of approximately 200 new early years workers. The Council is in a period of considerable change and we raised in our 2018/19 management report an action in relation to the ongoing capacity of staff within their current roles. We have received management assurances that the impact of current and extra demand on resources on staff capacity and services is being regularly monitored. This is an area that we will follow up in our 2019/20 audit.

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 demonstrates a commitment to openness and transparency in the way it conducts its business.

Good governance and transparency is the result of effective scrutiny and control arrangements, leadership and decision making and transparent reporting of financial and performance information.

Governance arrangements

108. The Council's arrangements for governance formed part of our Best Value audit of the Council. We concluded that the Council had sound governance arrangements in place with scope to improve member scrutiny.

109. In response to the Best Value Assurance Report the Council has implemented a number of changes in procedures which are strengthening member scrutiny. These include changing the format of Cabinet meetings to strengthen the scrutiny and challenge of Council officers by members, training events for elected Members and the Head of Accountancy now acts as advisor to the Audit and Scrutiny Committee and attends all meetings.

110. In our 2018/19 Management Report we highlighted that some of the discussion between members of the Audit and Scrutiny Committee could be adversarial along party political lines rather than being focused on the remit and function of the Committee. We have received assurances from management that actions are in place to address this issue. This includes the appointment of a Scrutiny and Evaluation Officer (SEO) whose remit includes supporting members of the Audit and Scrutiny Committee in their scrutiny role. Early work carried out by the SEO included the development of a Guide to Scrutiny and Review for elected Members.

Openness and transparency

111. There is an increasing focus on how public money is used and what is achieved through the use of that money. In that regard, openness and transparency supports understanding and scrutiny. Public expectations of openness and transparency are increasing as citizens want to better understand how public money is used to support their participation in local service design and delivery.

112. The Council demonstrates a commitment to openness and transparency in conducting its business. For example, members of the public can attend meetings of the full Council and committees and video recordings of the full Council meetings are available on the Council's website. Additionally, comprehensive minutes of these committee meetings and supporting papers are readily available on the Council's website.

Transparent reporting of financial performance in the Management Commentary

113. The financial performance reported in the 2018/19 management commentary clearly explains the Council's financial performance in year. The figures provide details of outturn against budget for the general fund and figures are reconciled to those in the annual accounts. The position reported in the narrative is reconciled to the movement in the General Fund contained in the financial statements.

Integration of health and social care

114. 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.

115. The East Renfrewshire Integration Joint Board (the IJB) returned a surplus of £0.528 million in 2018/19, giving the IJB total reserves of £5.337 million as at 31 March 2019. The IJB's medium term financial plan details a funding gap of £3.1 million for 2019/20 and savings plans have been introduced to meet this funding gap. These do not currently include any planned use of IJB reserves. Funding gaps have also been identified for future years and there will be considerable ongoing financial pressures over the medium term. We have concluded that the IJB has appropriate and effective financial planning arrangements in place.

116. The Care Inspectorate carried out an inspection of the Care at Home Service in February 2019. The Care Inspectorate concluded that the care at home service was delivering poor outcomes to service users. The service has been given nine requirements and one recommendation to meet and was graded as:

- unsatisfactory for care and support
- unsatisfactory for management and leadership
- weak for staffing

The report did highlight that service users spoke very highly of the support workers and their care and compassion.

117. A detailed report on the findings of the Care Inspectorate report has been put to the IJB Board along with a detailed action plan to address the findings.

118. It is noted that the inspection report has not yet been formally submitted to Council members. The care at home service plays a vital role in delivering the Council's target outcomes and the Council retains the statutory responsibility for the provision of social work services. Therefore, in the interests of good practice and openness and transparency, the report should be put to Council members to allow them to discuss, amongst other things, the impact of the findings and adequacy of the planned improvement actions.

Recommendation 9

The Care Inspectorate Report on the Care at Home Service of February 2019 should be formally reported to Council members.

Shared Risk Assessment

119. The local area network, comprising representatives of all the scrutiny bodies who engage with the Council, met during the year to carry out a shared risk assessment. The shared risk assessment process draws on a range of evidence with the aim of determining any scrutiny risks in the Council and the IJB. There were no additional risk areas where specific scrutiny was required, over and above that which is nationally directed or part of ongoing work programmes by the scrutiny bodies. Expected scrutiny activity across all Councils in Scotland informs the National Scrutiny Plan, which for 2019/20, is due to be available from the Audit Scotland website from October 2019.

Part 5

Value for money

Main judgements

The Council continues to progress the recommendations from the Best Value Assurance Report published in November 2017. Further improvements have been made to asset management, the monitoring and reporting of the Council's transformation projects and the framework for integrated strategic planning.

The Accommodation Strategy and development of a Corporate Landlord approach remain outstanding. These will be critical for informing future Council decisions on the planned new build leisure centre and the Eastwood Park master plan.

The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting the statutory equality duties. Some equality processes require ongoing development to ensure continuous improvement.

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

Best value

120. 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. Our best value work this year focussed on the follow-up of progress made by the Council in response to our Best Value Assurance Report (BVAR) published in November 2017 and compliance with the Council's statutory equalities duties. This section of our Annual Audit Report also includes audit findings from our review of the Council's performance against agreed targets

121. The Council's Best Value improvement action plan was approved by the Council in December 2017 and progress reports were presented to Cabinet in April 2018 and 2019. Overall, the Council has continued to take positive steps against the agreed actions. We have revisited those actions which were ongoing at the end of 2017/18 to assess the progress made over the last year and noted our main findings under the following main areas below.

Integrated Strategic Planning

122. We reported in our 2017/18 Annual Audit Report that the Council had been proactive in improving its arrangements for ensuring a fully integrated approach to managing its resources. The Council has continued to make progress within this area. The Council approved in October 2018 an outline of their key medium to long term strategies and the strategic relationships between these key Council documents. The Council have further developed their strategic planning framework with the aim of demonstrating how the key priorities of the Council relate to long terms strategies and plans and also ensure that budgets are clearly linked to these plans.

Reporting arrangements for the Business Transformation Programme

123. As part of the 2017/18 annual audit report, we reported that the arrangements for monitoring the Council's transformation and service redesign projects did 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.

124. During 2018/19 the Council has made considerable progress in

- Developing a new reporting framework on MAP to the CMT
- Implementing a new reporting dashboard to improve consistency in the level of reporting across Council departments
- Reporting to Members of the implementation of the transformation programme

125. The Council recognises that further improvements are required to:

- Investigate the potential use to the corporate dashboard for capital reporting
- Improve reporting of the progress with agreed savings plans to demonstrate a clear and transparent link to savings targets
- Align approved savings plans with MAP projects to ensure consistency and facilitate better tracking of savings delivery

Recommendation 10

Enhance the MAP reporting framework to align the Council's transformation programme and its associated projects with approved savings plans to track savings achieved at both the programme and project level.

Asset Management

Accommodation Strategy and Corporate Landlord

126. We noted in 2017/18 that progress was still required in the area of asset management and that there was a need to approve and action the Council's Accommodation Strategy.

127. Progress in asset management has been made throughout 2018/19, with updated asset management plans for all asset classes having now been approved by members. A draft Accommodation Strategy was put to Council in October 2018.

128. The approval and implementation of a final Accommodation Strategy will be key to the development of the Council's corporate landlord approach to ensure a consistent and central approach to property management. This should now be progressed as a priority in order to inform future Council decisions, in particular the planned new build Leisure Centre and the future of the Council offices located in Eastwood Park.

129. We repeat our recommendation from 2017/18 on the need to implement an Accommodation Strategy and progress the development of the planned Corporate Landlord approach to asset management. In order to secure the full range of benefits and savings from the property portfolio, the links between property AMP, the Accommodation Strategy and the Corporate Landlord will be required to be developed

Recommendation 11

Approve a finalised Accommodation Strategy to inform future decisions, in particular the planned new build Leisure Centre, the Eastwood park master plan and the development of the Council's corporate landlord approach to asset management.

Equal Opportunities

130. The Equality Act 2010 requires the Council in carrying out its functions to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people. We considered as part of our 2018/19 audit, the Council's progress to date in meeting these statutory duties.

Commitment to Equal Opportunities

131. It is important that senior officers and elected members actively promote equalities, incorporating it in organisational values and effective training and awareness. Equality and fairness are key themes within the Council's Community Plan 'Fairer East Ren', which is focused on tackling inequalities and closing the gap between communities in East Renfrewshire. This is also reflected in the Council Plan - Vision for the Future, and Outcome Delivery Plan 2018-22 which is the Council's action plan for delivering the Community Plan. These key strategic documents outline a focus on early years and vulnerable young people, elderly people and those with long term conditions, and also on socio-economic disadvantage, with a particular focus on areas of deprivation.

132. The Council is making good progress in considering how the new 'Fairer Scotland' duty can be integrated into key plans including the Community Plan which has a strong focus on tackling socio–economic disadvantage.

133. The Council's Leadership and Management development programme includes an e-learning course on equality and diversity. The staff Continued Professional Development (CPD) programme also includes modules on equality and diversity but this is not a mandatory requirement. Equality training has to date not featured as an explicit element within the elected members training and induction programme. While elected members can access the staff CPD programme only one elected member has undertaken an on-line equality module on equality. The Council recognises that more needs to be done in this area.

Recommendation 12

Training on equalities should be a mandatory requirement for employees and elected members should be provided with training on equality, including the Public Sector Equality Duty to ensure they can carry out their role effectively.

134. The Council has published an Equality and Human Rights Plan 2017-21 and has recently published a two-yearly Equality Outcomes Progress Update report for 2017-19. These are statutory requirements of the Council as per the Public Sector Equality Duty.

Embedding Equal Opportunities in service delivery

135. In formulating new policy, reviewing services and making budget decisions the Council screens for equality impacts and conducts full Equality Impact Assessments (EIA) where equality impacts are considered relevant. Detailed Equality Impact Assessments were completed in respect of the Council's Community Plan and Outcome Delivery Plan which included information on all areas of protected characteristics.

136. While it is clear that the Council completes EIAs there is scope for strengthening the central review of how equalities considerations are built into Council decisions. In particular there is no central oversight or quality assurance of Equality Impact Assessments which should be central in ensuring that equality has been considered appropriately in relation to Council decisions on new/revised policies and programmes. There is a lack of transparency in what evidence has been considered in screening for equalities in Council decisions and in carrying out EIA's. In line with the Public Sector Equality Duty, all EIAs for new policies or programmes should be published on the Council website. At the time of our review, the Council's website had a small number of EIA's published with the majority of these being published more than two years ago.

Recommendation 13

Equality Impact Assessments should be held centrally, and quality checks carried out. The results of Equality Impact Assessments should be made public as required.

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137. The Council has introduced a wide range of initiatives designed to meet the needs of different groups in the design and delivery of its services, including engaging with third sector organisations. It is committed to understanding better the individual needs of customers through improving digital capacity and the scope for data analysis. In particular a new digital programme is being implemented that will allow analysis of customer needs and design of more responsive services.

Promoting Equal Opportunities in the community

138. The Council has introduced a variety of initiatives for such engagement including:

- operating a Citizens Panel of 1200 local people
- working with Voluntary Action East Renfrewshire in holding Fairer Scotland Conversations
- supporting the development of an East Renfrewshire Additional Needs Partnership
- facilitating as part of its Community Empowerment Act activities;
    - Communities Together and ongoing engagement with third sector partners to inform the Fairer East Ren delivery plans, with a focus on reducing inequality
    - Engagement events with specific, priority geographical communities to inform locality plans

  - Community events to implement Participatory Budgeting

- holding the annual Bridge to Change community equality conference
- working with the East Renfrewshire Faith Forum, including an event in partnership with the Syrian Community
- supporting the youth forum in gauging the views of young people through a dedicated Young Persons Service and Communities team

139. The Council can demonstrate a commitment to equal opportunities and steady progress is being made in meeting its statutory equality duties. Officers are aware that there are some processes which require ongoing development to ensure continuous improvement.

Following the public pound

140. 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.

141. The Council's financial regulations contain a specific section on following the public pound. These require Heads of Service to apply the recommendations of the Accounts Commission's Following the Public Pound 2006 Report in relation to funding arrangements with Arm's Length and External Organisations (ALEOs). The financial regulations emphasise that formal contracts must be put in place at the outset of a new funding agreement, ensuring management arrangements over funding are defined and termination arrangements are incorporated.

142. The Council uses an ALEO, the East Renfrewshire Culture and Leisure Trust (ERCLT) for the provision of its arts, libraries, sports and community facilities.

143. A well-established framework is in place for reporting and monitoring the performance of ERCLT to the Council. This includes:

- The ERCL annual Business Plan is approved by the Council.
- ERCL's performance against the targets in the Outcome Delivery Plan is monitored by the Council and the Community Planning Partnership on a 6-monthly basis.
- A Year End Performance Report.
- Four members of the Council sit on the Board of ERCL and are responsible for reviewing the Trust's performance against its business plan.
- A Year End Performance report on ERCLT is reported to the Cabinet and Council.

144. During 2017/18 the Council provided the ERCLT with additional funding to help address the Trust's budget overspend. The Leisure Trust operated within budget for 2018/19. 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 beyond 2019/20.

145. The action plan agreed after the independent finance and business review of the Leisure Trust in 2017/18, is progressing and is overseen by the Director of Education, the Council's Chief Finance Officer and the Leisure Trust's Board and its Chief Executive. 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 and performance.

Performance management

146. The Council has a well established performance management framework which provides a sound base for improvement.

147. The Council's arrangements for measuring and reporting its performance are well established. A variety of performance reports show performance against the partnership outcomes in the Community Plan, the Council's contribution through the Outcome Delivery Plan (ODP) and include Citizens' Panel results and LGBF data. The reporting arrangements include:

- Every six months, each department's director and the HSCP report their department's performance to the Council's Chief Executive.
- The CMT collectively reviews overall Council performance and a report is prepared for the Cabinet.
- The Cabinet receives six-monthly progress reports on the ODP and the Community Planning Partnership (CPP).
- The Council's partners review performance on CPP progress at their six-monthly Performance and Accountability Review (PAR).
- Annually, performance is reported to East Renfrewshire Council and the CPP board.

Overview of performance targets

148. 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.

149. The Council's style of reporting against LGBF indicators is clear. Indicators are grouped under the Council's strategic outcomes and graphs showing trends against the Scottish and family group averages are included. Reports highlight what is planned to improve performance and, for each group of indicators, describe the Council's strategic policy intention.

150. The Council and Cabinet receive regular performance reports throughout the year, including both a Strategic Mid-year and Year End Council Performance Report. The Annual Performance report is based on the performance indicators in the Council's Outcome Delivery Plan 2018-2021 and demonstrates the Council's contribution to the partnership outcomes in the Community Plan.

151. The Annual Performance Report for 2018-19 shows that the Council is performing well against most of the indicators in the Outcome Delivery Plan. Of a total of 21 indicators, 13 are on target, 7 have still to achieve target (performance levels within management's accepted thresholds) and one indicator has been classified as red as being below target. The results of the Autumn 2018 Citizen's Panel survey showed that 72% of respondents were satisfied with Council. This is in line with the level of satisfaction reported in previous years where levels have fluctuated between 72% and 79%.

Statutory performance indicators (SPIs)

152. 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.

153. For 2018/19 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.

154. We reviewed the Council's arrangements for recording and publishing performance data and we have no issues of concern to report. Reports on the Council's performance, as well as the Community Planning Partnership are easily accessible on the Council's website including information on how it responds to complaints, information on consultations with service users and communities and detailed reporting against the statutory indicators in the Local Government Benchmarking Framework.

Eastwood Leisure Centre

155. A major capital project for the Council will be the building of a new Eastwood Leisure Centre. In December 2017, the Council reported on the extent of repairs needed to the current Eastwood Leisure Centre and in June 2018, a public consultation on the future of leisure provision within the Eastwood area was launched. The outcome of this was public support for a new leisure centre to be built and in October 2018, a report with supporting consultant's report was presented to members. Originally, Eastwood park had not been highlighted in the consultant's report as the preferred site for the location of the new leisure centre due to over-crowding in the Eastwood Park area.

156. At the Council meeting on 26 June 2019, the Council approved Eastwood Park as the preferred site for the new Eastwood Leisure Centre. It is noted that this decision was made by members in the absence of any reported costs of locating the new centre in the Park. This is despite the report highlighting that the Eastwood Park option is likely to be more expensive than providing the same facility on an alternative clear site.

157. We will undertake a review of the option appraisal process underpinning the decisions on the location of the new Leisure Centre as part of our 2019/20 audit.

Core Systems

158. A key part of the Council's transformation programme is the replacement of core financial systems. The first stage of this replacement went live on 3rd September 2019. This was a replacement of the finance ledger. This is due to be followed by a new payroll/HR system later in 2019/20.

159. The replacement of these key financial systems will impact on our audit work in 2019/20. Additional work will be required to review the transfer of balances onto the new systems. We will seek to gain assurance on the work which the Council has undertaken on the balances and also on the work of Internal Audit. Discussions have taken place on the Councils plans for access to legacy systems and data. We will review the data solution approved by the project management board in July to ensure this is appropriate and in line with the Data Retention Policy.

National performance audit reports

160. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2018/19, Audit Scotland published a number of reports which may be of interest to the Council. These are outlined in Appendix 4.

161. The Council follows good practice by reporting national performance reports to the Audit and Scrutiny Committee for review and an assessment of the Council's current approaches against any recommended actions or highlighted good practices.

Appendix 1

Action plan 2018/19

No.	Issue/risk	Recommendation	Agreed management action/timing
1	**Netherlee School 1937 Endowment Trust** We had previously recommended in our 2016/17 Annual Audit Report that the Trustees of the Netherlee School 1937 Endowment Trust should consider the introduction of processes by which the proper of grant awards could be confirmed. This recommendation has not been implemented by the Trustees **Risk:** The Trust incurs expenditure contrary to the terms of the Trust Deeds	The Trustees of Netherlee School 1937 Endowment Trust should maintain evidence on the actual use of grant awards which supports the proper use of Trust funds. Exhibit 3	The Head of Accountancy will again write to the school trustees, recommending that evidence of the actual use of grant awards should be maintained in order to support the expenditure included in the Trust's accounts. Head of Accountancy (Chief Financial Officer) 31 October 2019
2	**Annual Instruction to the Valuer** We recommended in 2017/18 that the Council formalise the relationship with the valuer. This has been partially implemented and we would recommend a formal instruction to be issued by Accountancy Services each year which clearly directs the valuer on the valuations to be undertaken. This instruction should include a formal impairment review to be undertaken and also instruct the valuer to consider the need for indexation to be applied to assets not subject to review under the 5 year rolling programmes **Risk:** Finance do not have ownership of the valuation exercise and changes to accounts have to be made due to late information	The Council should develop a formal process to include: the assets to be revalued and that valuation be provided in accordance with The CIPFA Property Valuation Guide; the need for the valuer to conduct an annual impairment review of assets; and requirement for the valuer to set out their approach to the use of indexation factors. Paragraph 39-40	Accountancy staff will issue a formal instruction to the valuer each year in advance of year end, setting out the assets to be valued, the requirement for valuations to be carried out in accordance with the CIPFA Property Valuation Guide, the need for an annual impairment review of assets and the requirement for the valuer's approach to indexation to be set out. Head of Accountancy (Chief Financial Officer) 28 February 2020
3	**Management Commentary**	The Council should further consider and develop the	Following the provision of new good practice guidance

No.	Issue/risk	Recommendation	Agreed management action/timing
	There was no non-financial performance information contained within the draft accounts submitted to audit. The performance information was presented in a link to another document. However, the management commentary under statute is required to present a fair and balanced view of the business in the year. This was amended by the Council with further detail on performance against outcomes being provided. **Risk:** The management commentary in the annual report and accounts does not present a fair and balanced view of performance	non-financial reporting of performance within the management commentary for 2019/20. Paragraph 42	to the Council during the summer 2019 the non-financial information in the management commentary section was reviewed and updated. The Council views hyperlinks to reports as streamlined and relevant method of reporting on performance. The performance information for the 19/20 management commentary will be reviewed. Head of Communities, Revenues & Change August 2020
4	**Grants and Contributions in advance** Due to the housebuilding and other development within the Council area, the Council have received a number of contributions in line with planning law. The accounting treatment of such contributions is dependent on an assessment of any conditions which may be applied by the developer. The code requires that a full analysis should be undertaken on these monies and the Council have agreed to undertake this review early in 2019/20. **Risk:** The Council does not correctly account for contributions received from developers.	The Council should undertake a review of all monies received from developers in 2019/20 to ensure compliance with the Code and ensure that the accounting treatment reflects any conditions which may apply. Paragraph 43	Accountancy staff will annually review all monies received from developers to ensure compliance with the Code and that appropriate accounting treatment is applied. Head of Accountancy (Chief Financial Officer) 31 March 2020
5	**Budget Underspends** The Council has a history of underspend against budget as reported in 2016/17 and 2017/18. Given the current and future pressures which service budgets are under, there is a need for the budget to reflect the actual pattern of spending and for forecasts to be reviewed to ensure they reflect demand.	The Council should continue to review its budget to ensure budgets and forecasts reflect actual spending and demand patterns. Paragraph 47-50	In setting its annual budget the Council will continue to consider current year trends and specific areas where underspends have historically occurred, so as to further align budgets to realistic demand/need to spend. Head of Accountancy (Chief Financial Officer)

No.	Issue/risk	Recommendation	Agreed management action/timing
	Risk: There is a risk that the Council may not be able to deliver the targeted savings in 2019/20.		28 February 2020
6	**Greenlaw Business Centre** The Greenlaw Business Centre first became operational in 2018/19. The valuation of the centre at 31 March 2019 reflects a risk yield for rental income which is based on estimates of future occupancy levels and voids which reflect the future use of the building as an "incubator" for small businesses and start-ups. **Risk:** The actual levels of occupancy are not kept under review and reflected in updated valuations.	The actual occupancy levels of the Greenlaw Business Centre should be kept under review and appropriately reflected in future valuations. Paragraph 67	Occupancy levels will be monitored monthly and will be reflected in future valuations. Head of Environment (Strategic Services) April 2020
7	**Business Continuity/Disaster Recovery** We have previously reported on the need for the Council to ensure disaster recovery and business continuity plans are up to date, realistic and are tested. Progress has been made on this and a report on progress is due in mid-September on the status of the plans. **Risk:** Until the plans are fully implemented and tested, that the Council suffers a loss of data and disruption to service.	The Council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are current and tested Paragraph 84-87	Work to review the arrangements is ongoing. This was reported to CRMT in this month. Dedicated resource is in place, with additional resource being appointed, to accelerate the update to the ICT disaster recovery plan. Head of Digital and Community Safety March 2020
8	**Financial Pressures** The Council has identified that it needs to make savings of £24.754 million for the period 2019/20 -2020/21 part of its plans to maintain financial balance. £16.368 million have been identified and approved by members. Over the last five years the Council has delivered approved savings of over £29 million.	That the Council continues to progress plans to address the funding gaps identified and continues to develop the reporting for savings both internally and to members. Paragraph 91-94	The Council will continue to adopt a long-term approach to planning for expected future funding gaps and will further develop mechanisms for reporting savings progress to CMT and elected members. Head of Accountancy (Chief Financial Officer) 28 February 2020

No.	Issue/risk	Recommendation	Agreed management action/timing
	Risk – Given the previous level of savings already made by the Council, there is a risk that current and additional savings targets are not achievable.		
9.	**Care at Home Service** The Care Inspectorate's report on the Care at Home Service graded aspects of the service as either unsatisfactory or weak. While this report has been reported to members of the IJB, it has not been submitted to Council members. **Risk:** All members of the Council cannot formally discuss report on the Care at Home Service and the potential impact on the delivery of the Council's strategic objectives and the adequacy of the planned improvement actions**.**	The Care Inspectorate Report of February 2019 on the review of the Care at Home service should be formally reported to Council members Paragraph 118	In line with established delegations, all inspection reports go the relevant committee i.e. cabinet, IJB Committee, or Education Committee. The inspection of the in house Care at Home Service was discussed at the IJB, and the Clinical and Care Governance committee of the IJB. In addition, all IJB papers are circulated to all Councillors. Any Councillor who wished to discuss the issue at Council has the opportunity to submit a question or to raise a motion. The inspection report was also circulated to members of the Council's Audit and Scrutiny Committee in June 2019 and referenced in the Annual Review of HSCP Performance considered by Council in September 2019. In addition, the CSWO submits a report to the IJB and then to Council every year in line with guidance. Her report is now in the public domain and clearly highlights the issues with the service. The Council will discuss the report in October 2019. Consideration will be given to including the approved IJB minutes on Council agendas to increase transparency and allow elected members a further opportunity to raise questions. Chief Officer, IJB January 2020

No.	Issue/risk	Recommendation	Agreed management action/timing
10	**Transformation Programme** During 2018/19 the Council have made good progress in developing a new reporting framework for the Transformation Programme. Corporate monitoring of the progress of projects and reporting to members has improved. However, the reporting of the financial links to savings targets and progress against agreed savings plans require further development. **Risk:** It is not possible to monitor progress against the target savings and benefits to be delivered by the MAP projects	Enhance the MAP reporting framework to align the Council's transformation programme and its associated projects with approved savings plans to track savings achieved at both the programme and project level. Paragraph 123-125	MAP project reporting and savings progress monitoring are two separate but linked processes. As part of the continuous development of our reporting, we will seek to improve and standardise the reporting and monitoring of planned savings as part of MAP Board meetings. Head of Communities, Revenues & Change September 2020
11.	**Accommodation Strategy** A draft Accommodation Strategy was reported to the Council in October 2018. Work on the development of a final Accommodation Strategy is still ongoing. **Risk:** Future decisions on the future of the Council's estate are made in the absence of an overarching accommodation strategy.	Approve a finalised Accommodation Strategy to inform future decisions, in particular the planned new build Leisure Centre, the Eastwood park master plan and the development of the Council's corporate landlord approach to asset management. Paragraph 126-129	An Accommodation Strategy will be prepared for Cabinet consideration by June 2020. Director of Environment June 2020
12	**Equal Opportunities Training** Training for employees on equalities is not a mandatory part of the Council's Continuous Professional Development programme and equality training has not featured as an explicit element of the members training and induction programme. **Risk**: Equality issues are not effectively mainstreamed and adequately considered as part of the	Training on equalities should be a mandatory requirement for employees and elected members should be provided with training on equality, including the Public Sector Equality Duty to ensure they can carry out their role effectively. Paragraph 133	Equality training will be reviewed with a view to improving the scope of and access to equality training for staff and elected members. This will be done on a phased basis, including looking at induction coverage as an early priority, once a current restructure is completed in early 2020. Head of Communities, Revenue & Change

No.	Issue/risk	Recommendation	Agreed management action/timing
	Council's strategic planning and decision making.		Phase 1 by December 2020
13	**Equality Impact Assessments** There is no central oversight or quality assurance of Equality Impact Assessments and not all Equality Impact Assessments are published on the Council's website. **Risk:** That not all equality considerations are built into Council decisions and that the Council does not comply with the requirements of the Public Sector Equality Duties regarding the publication of EIAs.	Equality Impact Assessments should be held centrally and quality checks carried out. Paragraph 136	The equalities function is currently part of a wider restructure proposal with the aim of strenghthing integration and building capacity in this area. We will review the EqIA process when the new structure is implemented in 2020 and seek to build capacity in this area across the Council. Head of Communities, Revenue & Change December 2020

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 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 significant transactions that are outside the normal course of business.	Testing on journal entries undertaken at interim and final accounts period Review of accounting estimates undertaken and additional note added for fixed asset valuations 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 and evaluated significant transactions that were outside the normal course of business. **Our testing did not identify any evidence of management manipulating accounting records or overriding controls.**
2 Risk of fraud over income East Renfrewshire Council receives a significant amount of income from several sources including income from fee and charges funding. The extent and complexity of income means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of concern include Council tax, non-domestic rates and income from sundry debtors.	• Analytical procedures on income streams. • Detailed testing of revenue transactions focusing on the areas of greatest risk.	We carried out an analytical review 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 evaluated the Council's accounting policies for income and tested a sample of journal entries. **The Council has appropriate arrangements in place to**

Audit risk	Assurance procedure	Results and conclusions
		minimise the risk of fraud over income.
3 Risk of fraud over expenditure Most public-sector bodies are net expenditure bodies and therefore the risk of fraud is more likely to occur in expenditure, due to the variety and extent of expenditure in delivering services. Specific fraud risks relevant to public sector audit include welfare benefits, grants and other claims made by individuals and organisations.	• Analytical procedures on expenditure streams. • Detailed testing of expenditure transactions focusing on the areas of greatest risk. • Walk-through of controls identified within key financial systems	We carried out an analytical review of expenditure streams to confirm completeness and identify any unusual transactions or variations in expenditure. We substantively tested a sample of expenditure transactions to confirm occurrence and accuracy of amounts in the financial statements. We evaluated the Council's accounting policies for expenditure. We tested a sample of journal entries. **The Council has appropriate 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 a number of balances in the financial statements in particular the valuation of non-current assets and pension fund assets and liabilities. This subjectivity represents an increased risk of misstatement in the financial statements.	• Completion of 'review of the work of an expert' for the in- house valuer. • Focused substantive testing of key areas of non current assets • Assess the reasonableness of the valuation of land and buildings • Completion of 'review of the work of an expert' for the professional actuary, and review of appropriate of actuarial assumptions. • Review of the pension actuary and the assumptions made in calculating the estimated pension liability.	We completed a 'review of the work of an expert' for the professional valuer. We completed a 'review of the work of an expert' for the professional actuary and reviewed the appropriateness of actuarial assumptions. We assessed the actuarial assumptions made in calculating the liability We completed detailed testing on non-current asset and assessed the reasonableness of the valuation of assets We tested a sample of accruals and provisions in the 2018/19 annual accounts. **Estimates and judgements disclosed in the financial statements are reasonable and evidence based.**
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
5 Financial sustainability The Council faces significant financial challenges, including - A £32.759 million funding gap for the period 2018/19 to	• Review the 2019/20 budgets and consider the reasonableness of budget assumptions • Assess the adequacy of the Council's longer term financial management	We have undertaken a review of the budget and the savings plans Review of Financial strategy undertaken Review of budget reports presented to members. As noted

Audit risk	Assurance procedure	Results and conclusions
2020/21. Savings plans have been approved and a gap of £5.894 million in 2020/21 remains - rising demands for services - reductions in local government funding In addition, there is a number of uncertainties that may have a financial impact on the Council (e.g. EU withdrawal, ending of public sector pay settlement, new financial powers for the Scottish Government). The Council must have robust longer term financial plans that address the financial challenges it faces. There is a risk that the Council does not deliver its strategic objectives.	arrangements and plans reported to members. • Monitor the Council's financial position through budget monitoring reports presented to members and consider the delivery of in year savings programmes and the robustness of future savings plans and targets	in para. 91-94 above, the Council has identified funding gap of £24.754 million for 2019/20-2020-21 Action point 8 refers
6 New core financial systems A key focus of the Council's transformation programme is the introduction of new Core Systems. These core systems represent those systems which are integral to the Council's business, namely Finance, Procurement, Human Resources and Payroll. The commissioning and implementation of these new systems are expected to be completed by March 2020, with the first of the systems, the finance ledger, scheduled to go live at the end of June 2019. We will carry out a review of the main controls within the new financial systems as part of our 2019/20 audit. There is a risk that the tight timescale and the extra demand on resources could place further pressures on staff capacity around the timing of the preparation and audit of the financial statements	• Regular meetings with management. • Review of Core Systems programme schedules • Continued review of reports to members on progress with core systems	We have had meetings with core systems team during the year Review of Core System schedules Continued review of members reporting. This has been done through the MAP update report.
7 Disaster recovery and business continuity planning Work continues on the development of new disaster	• Review of disaster recovery testing and development of Disaster	As noted in paragraphs 84-86 above, there has been ongoing progress made. An update on progress and the status of plans

Audit risk	Assurance procedure	Results and conclusions
recovery plan and business continuity plans. This work has been ongoing now for some time and it is anticipated that both plans will be in place by the end of March 2019. There is a risk that until the full implementation of the disaster recovery plans the Council suffers a loss of data and disruption to services	Recovery Plan undertaken. • Review of Business Continuity and resilience planning arrangements	is due to be provided to the CMT later in 2019 Action point 7 refers

Appendix 3

Summary of national performance reports 2018/19

Local government relevant reports

Local government in Scotland: Challenges and performance 2018 – April 2018

Councils' use of arm's-length organisations – May 2018

Health and social care integration: update on progress – November 2018

Local government in Scotland: Financial overview 2017/18 – November 2018

Local government in Scotland: Challenges and performance 2019 – March 2019

East Renfrewshire Council

2018/19 Annual Audit Report – DRAFT

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EAST RENFREWSHIRE COUNCIL

AUDITED **ANNUAL ACCOUNTS** 2018/19

East Renfrewshire COUNCIL

East Renfrewshire Council

Contents

Contents (cont'd)

Management Commentary

1. Introduction

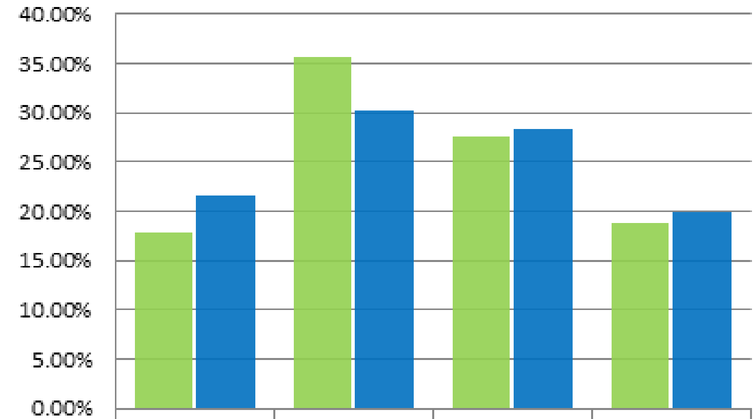
The purpose of this statement is to outline key messages regarding the objectives and strategy of the Council and its financial performance during 2018/19 and also to provide an indication of issues and risks which may impact upon the finances of the Council in the future

East Renfrewshire and the local authority

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

The population of East Renfrewshire at 30th June 2018 was 95,170*. This is the Authority's highest ever population, with an increase from 2017 of 0.43%, and is 6.65% higher than the population in 2009. The 2016 Population Projections show that East Renfrewshire's population is to continue to steadily increase. The table below compares the current population of Scotland and East Renfrewshire, and shows that East Renfrewshire has a higher proportion of the population under the age of 16, compared to that of Scotland, as well as a higher proportion of those aged 45 to 64, and 65 and overs.

Table 1: Population Structure East Renfrewshire v Scotland 2018



	0 to 16	17 to 44	45 to 64	65 and Over
Scotland	17.89%	35.62%	27.62%	18.87%
East Renfrewshire	21.52%	30.27%	28.36%	19.86%

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

*Source 2018 Mid Year Estimates, National Records of Scotland

Management Commentary (cont'd)

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

Annual Accounts

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

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

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

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 Community Plan incorporating Fairer East Ren.

Our Outcomes are:-

Early Years and Vulnerable Young People	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 healthy and active and have the skills for learning, life and work.	
Environment and Economy	East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.	
Safer, Supported Communities	East Renfrewshire residents are safe and live in supportive communities.	
Older People and People with Long-term Conditions	Older people and people with long-term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.	

Management Commentary (cont'd)

In order to deliver these outcomes well, we have also identified 5 capabilities that we need to excel at as a Council. These are the focus of our improvement work to maintain our position as one of the best councils in Scotland. They are:

FIVE CAPABILITIES

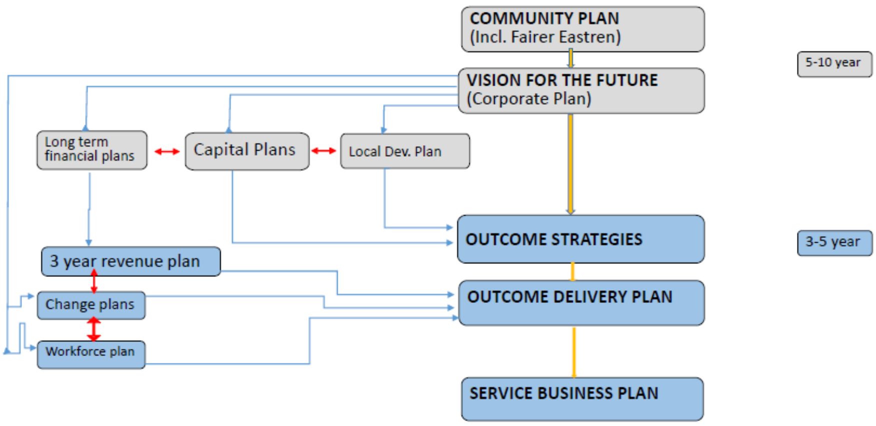
PREVENTION	**We will ...** Choose to prevent problems from occurring in our communities, rather than trying to fix what has already gone wrong. **We will ...** Instinctively take a preventative approach in our daily work, placing children, early years and the reablement of our elderly at the heart of how we plan services.
EMPOWERING COMMUNITIES	**We will ...** Place a high value on listening to local people and asking for their views. We will work hand in hand to plan and deliver the services that truly make lives better. **We will ...** Listen, understand and respect, empowering our communities to do more for themselves.
DATA	**We will ...** Seek and share meaningful information to plan our services and measure if we are getting it right. We will not collect numbers for the sake of it. **We will ...** Use data to plan, we will evidence what works, and we will benchmark what we do with those who might be doing it better.
MODERNISATION	**We will ...** Continually look for ways to modernise and improve how we do things. We will make it easier for local people to access our services. **We will ...** Put a stop to bureaucracy and inefficient processes. We will focus on what is best for local people and not what is easiest for us.
DIGITAL	**We will ...** Choose to be digital by default wherever possible. We will examine and digitise our processes to make it easy for people to access our services online. **We will ...** Encourage local people to use our website and social media to speak to us, and each other, 24/7, 365 days a year.

Management Commentary (cont'd)

Strategic Planning and Performance

The Council has well established strategic planning and performance management arrangements which are embedded into the work of all employees through a clear "golden thread", that runs from our vision, strategic plans and outcomes through to services' business plans and employees' individual jobs. This approach aims to ensure employees know how they contribute to achieving our vision to be '*A modern ambitious Council creating a fairer future for all'*, with the ultimate aim to make people's lives better.

Work has been carried out to improve the integration of our strategic and operational planning. The diagram below illustrates how our medium and long term strategies and operational plans integrate and the linkages between the plans.



The key focus for strategic planning this year is to further develop our long term strategy (10 year focus) for the council entitled, **Vision for the Future** which reflects the updated Community Plan and the long term ambition of the Council's change programme. A draft version of the Vision for the Future was considered at Council in May 2019. The report contains updates on how the Council is working to achieve our five strategic outcomes listed below and sets out our ambitions for the next 10 years. The report also considers our current position and future direction on further developing the capabilities across the organisation around: Digital; Modernising How We Work; Data and Benchmarking; Empowering Communities and Prevention. Further work to develop the Vision for the Future corporate plan will take place over the latter half of 2019 taking into account the ongoing work on the Local Development Plan, the updated Capital Investment Strategy and City Region economic planning. We are also in the second year of a three year project to improve the quality and data focus of our services business plans.

Management Commentary (cont'd)

The Community Plan (incorporating Fairer East Ren, East Renfrewshire's Local Outcome Improvement Plan) sets out the strategic outcomes and priorities for the Community Planning Partnership. Fairer East Ren is focused on tackling inequalities and closing the gap between communities. For the Partnership and the Council there are joint strategic outcomes that 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

Our Outcome Delivery Plan (ODP) sets out how the Council will work towards achieving these outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency.

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

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

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

Our Performance

The Council's ODP sets out the Council's strategic priorities, targets and critical activities it will carry out to seek to achieve better outcomes for East Renfrewshire. Performance against the targets is reported to, and scrutinised by, elected members twice a year in December and June. The latest strategic performance 18/19 update to Council can be accessed on our website at: https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24726&p=0

Additional updates on progressing our strategic outcomes are summarised below.

Management Commentary (cont'd)

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

There has been considerable investment (£24m) in increasing the provision of nursery education. Work is underway to build five new nurseries in Busby, Clarkston, Eaglesham, Newton Mearns and Thornliebank. This investment will support us in almost doubling the amount of free childcare for families in 2020. We have delivered successful parenting programmes with improved outcomes for the families taking part. Our Champions Board continues to provide opportunities for looked after young children giving them the chance to influence policy and practice in services affecting them. There have also been improvements in the time taken to get accommodated children into permanent families.

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

We continue to be top in Scotland for our pupils achieving high levels of educational attainment, with this year showing some of our best results to date. We have delivered exceptional performance in closing the attainment gap across our more deprived areas. Securing a positive future for many of our young children has also been achieved with over 97% of children going on to a positive destination (further education, training or employment) after school. The numbers of young people receiving accredited awards continues to improve year on year and East Renfrewshire now has the highest participation rate of all eligible young people in the Duke of Edinburgh Awards Scheme in Scotland.

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

Our City Deal projects funded from the £44m investment secured in 2015 are progressing well. Greenlaw Business Centre in Newton Mearns opened in June this year. Over £11m is being invested in housebuilding over the next five year. The Council has set a target of building 200 houses by 2025, we are on track with 41 houses built this year with new tenants moving in during 2019. Our recycling rates are top in Scotland (67%), we have met our street cleanliness target and exceeded our target on the number of businesses supported by our Business Gateway Services. We have invested in our parks and greenspaces with additional resources used to improve facilities at Cowan Park in Barrhead and Neilston's Kingston Playing fields.

Management Commentary (cont'd)

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

We have invested in digital CCTV resources to combat crime and anti-social behaviour. Our anti-social behaviour investigation services have been redesigned, all front line complaints are now handled by our Community wardens, who are achieving target response times. Targets were also met on the completion of Community Payback Orders. Our communities' staff have being working with local people developing Locality Plans and a wide range of other projects. To date three Participatory Budgeting events have been held in Barrhead, Thornliebank and Neilston with over 1,200 people taking part, casting over 9,000 votes for local community initiatives.

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

A new service structure providing services for older people and people with long term conditions has been implemented this year focusing on 'getting it right' at the first point of contact. Significant improvement work is ongoing as part of the HSCP Fit for the Future Change programme. Key targets for reducing care needs as a result of the impact of re-ablement services have been met as well as the number of people reporting living 'where they want/as they want' needs met. There has been investment in increasing technology enabled care to over 2,500 residents across East Renfrewshire.

Partnership Working

We cannot achieve our outcomes working alone and therefore our key performance indicators set also includes indicators from our main partners, East Renfrewshire Health and Social Care Partnership and East Renfrewshire Culture and Leisure Trust. An analysis of the indicators for 18/19 using the latest data available and where targets can be set, shows that 70% of indicators were met, 22% on track/within reasonable thresholds and 8% off track. We performed well across many key areas as highlighted above including recycling, supporting local businesses, and educational attainment. The areas where we were off target, for example absence levels, and where there is scope for improvement, services understand the reasons for performance levels and are taking appropriate action to address any issues.

Management Commentary (cont'd)

Public Performance Reporting

We present a range of in year reports on service specific and financial information to elected members and the public. Throughout the year, elected members, managers and employees use performance information to evaluate, scrutinise results and take action to drive and inform areas for further improvement across services.

We also 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 variety of mechanisms including social media and video content to show accountability, transparency and provide the public with good quality information about how the Council is performing.

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

Workforce Planning

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

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

The Council's Workforce Plan is aligned over the same three year period as the multiyear budget approach for 2018/19 – 2020/21. By planning over a three year period it allows for better prediction of potential changes to workforce shape and size and allows time to plan appropriately for these changes to the workforce. There is a workforce planning working group in place who regularly review the overall strategy and actions for our longer term Workforce Plan. Originally for the three years 2018/19 – 2020/21 it was forecast that the Council would have to identify savings of £28.5 million to balance the budget and it was estimated that there would be a reduction of around 265 posts from the current Council structure. Through our 3 year budget planning we have communicated these plans for a reduction in the workforce to our employees and it is hoped to achieve these reductions without the need for compulsory redundancies. It should be noted

Management Commentary (cont'd)

that the Full Time Equivalent (FTE) reduction of 265 posts is indicative and will be dependent on the outcome of re-structure reviews and has not been re-visited since the three year budget savings requirement has increased to £32.8 million.

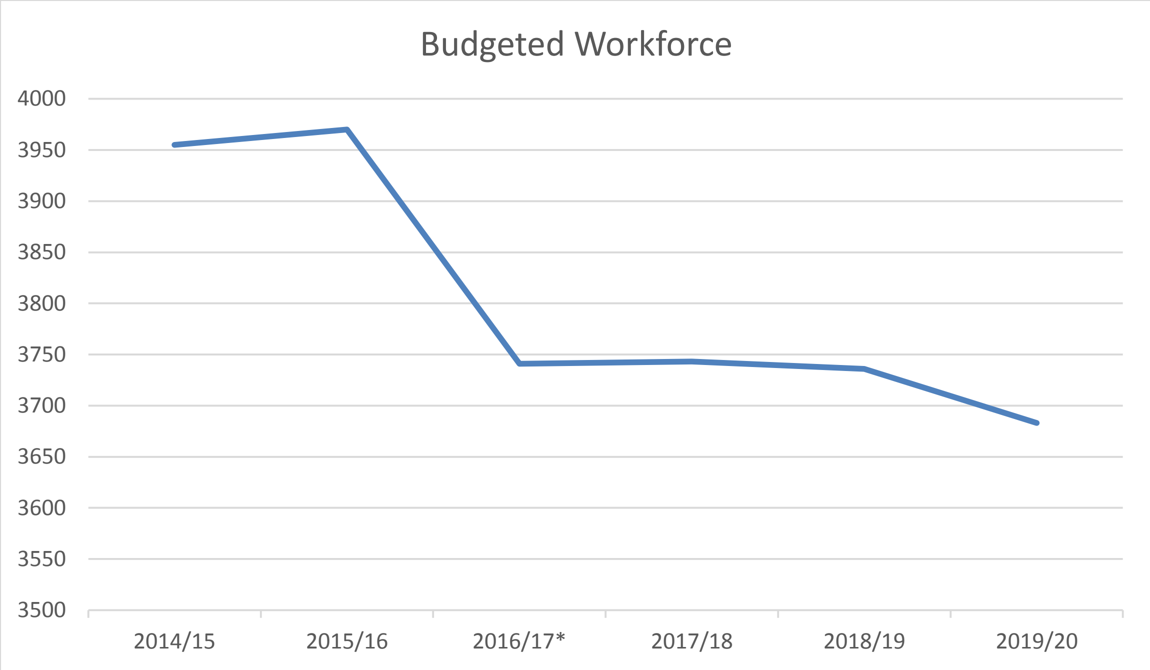
There will also be new roles and retraining opportunities created as the needs of the Council change and employees will be supported in these opportunities where appropriate. There are a number of transformational change programmes ongoing across the Council to ensure that we will have the appropriate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

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

The Council will create new roles and retraining opportunities

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

Management Commentary (cont'd)



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

Consultation and Communication with Workforce

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

The Council carries out periodic employee surveys.

Budget Process

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

Savings totalling £26.9m were agreed for 2018/2021

Management Commentary (cont'd)

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

Fund Balances

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

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

(i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim in 2018/19 was for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. The actual balance for 2018/19 was 4.4% to help fund the budgeted use of reserves in 2019/20. (2017/18 4.3%)
(ii) To earmark funding to equalise future PFI/PPP payments.
(iii) To earmark funding to enable the upfront investment required to drive forward the Council's Modern Ambitious (Change) Programme.
(iv) To earmark funding from unspent grants, Whitelee Windfarm, commuted sums and Devolved School Management.
(v) To earmark funds for feasibility studies to be carried out on potential capital projects.
(vi) To provide insurance voluntary excess costs.
(vii) To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.
(viii) To make provision for anticipated future capital liabilities.

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

3. Financial Performance in 2018/19

Revenue Budget Performance

General Fund Revenue Balance

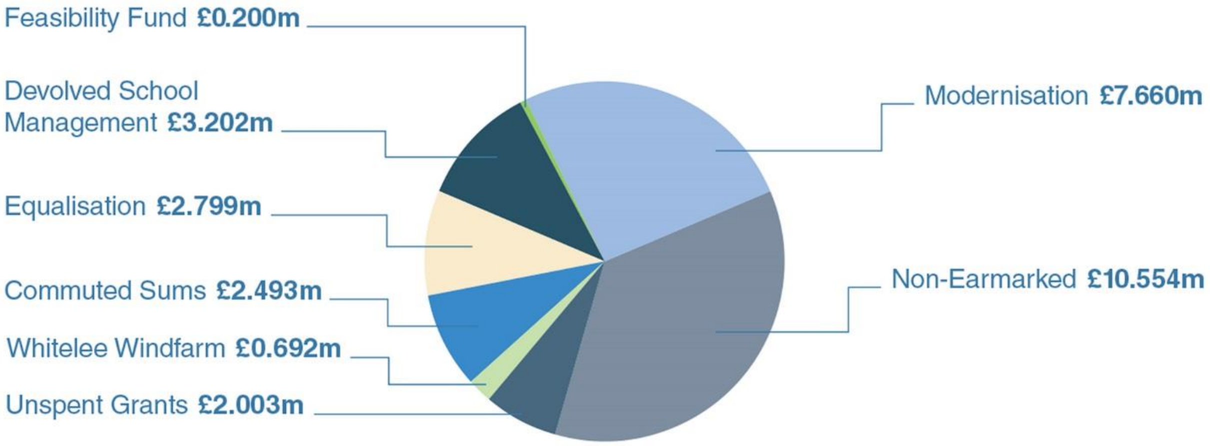
The General Fund Balance at the end of the year is £29.603m. The opening balance of £26.430m has been increased by an overall surplus of £3.173m. Within the General Fund balance an amount of £2.799m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £7.660m has been earmarked as a Modernisation Fund. Further amounts of £0.692m, £2.493m, £3.202m and £0.200m have also been earmarked for the Whitelee Wind Farm, commuted sums, Devolved School Management and a Feasibility Fund. In closing the accounts £2.003m has been attributed to the Unspent Grants

The opening balance has been increased by an overall surplus of £3.173m

Management Commentary (cont'd)

reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

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



Budget Monitoring

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members consider revenue monitoring reports and detailed variance information at Cabinet five times per year with all reports providing year end forecasts. Financial and physical progress on each capital project is also reported to Cabinet four times per year. Copies of these reports are available on the Council's website: **www.eastrenfrewshire.gov.uk**

Links to the final 2018/19 reports can be found below:

General Fund Capital Programme 18/19, approved by Cabinet on 14 March 2019 (https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23968&p=0)

Estimated Revenue Budget Out-turn 2018/19, approved by Cabinet on 4 April 2019 (https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24161&p=0)

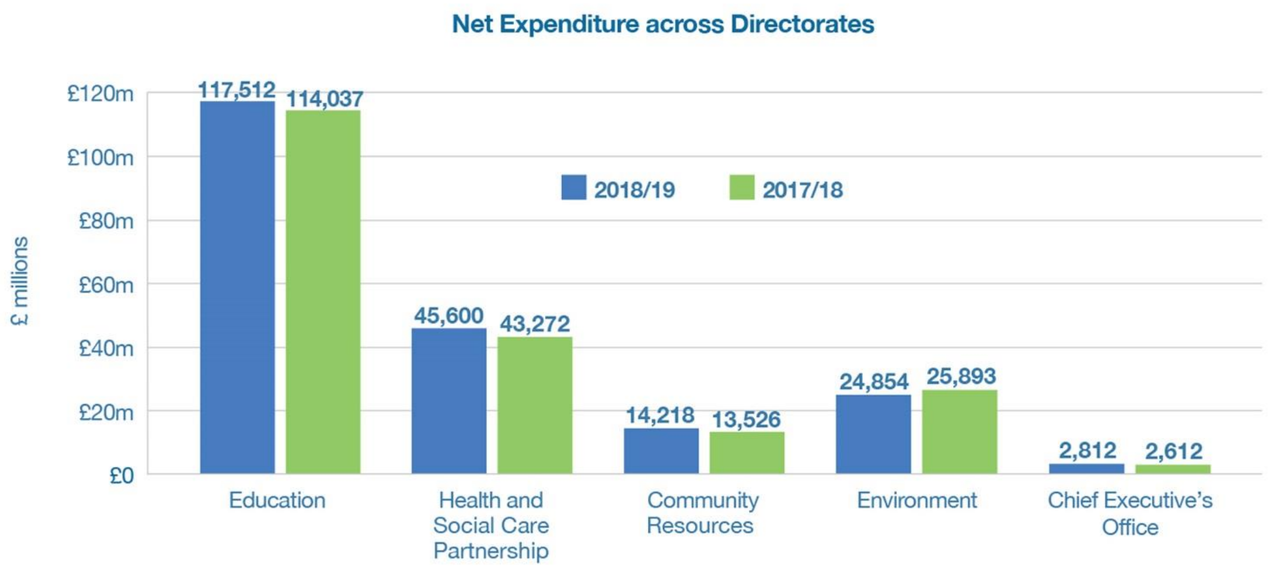
Management Commentary (cont'd)

Budget Performance

The overall surplus of £3.173m can be analysed as follows:

		Actual	Approved Budget	Over/(Under) Spend
	£'000	£'000	£'000	£'000
Net cost of services	241,120			
Capital charges	(21,301)	219,819	218,944	875
Investment Income		(181)	(209)	28
Capital financing costs		9,623	10,263	(640)
Other		(6,220)	-	(6,220)
Contributions to/(from) reserves		1,150	(674)	1,824
To be met by Govt. grants and local taxation		224,191	228,324	(4,133)
Aggregate External Finance		(177,250)	(177,931)	681
Council Tax		(50,114)	(50,393)	279
Total Funding		(227,364)	(228,324)	960
SURPLUS FOR THE YEAR		**(3,173)**	**-**	**(3,173)**

The surplus above, when considered with the Housing Revenue Account surplus of £89k (see Movement in Reserves Statement) totals £3,262k, as stated in the Expenditure and Funding Analysis (note 3). The graph below shows the net expenditure across Directorates, also as shown in note 3.



Management Commentary (cont'd)

Housing Revenue

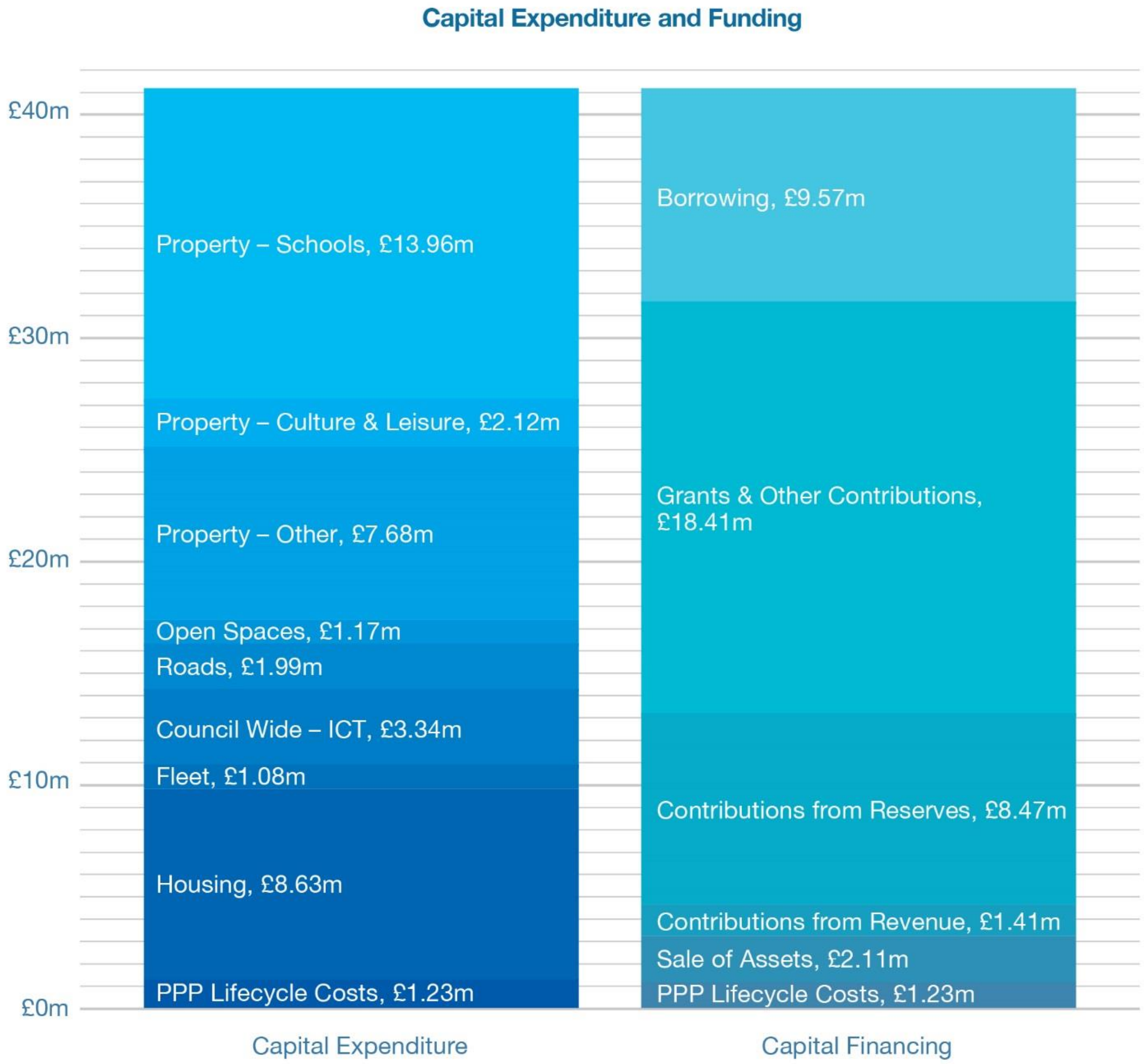
The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balance are shown on pages 115 and 117. These accounts deal with transactions in respect of managing the Council's housing stock, which cannot be subsidised by the Council. The opening balance of £1,629k has been increased by an operational surplus of £89k to give a year-end balance of £1,718k.

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

Capital Budget Performance

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

Management Commentary (cont'd)



Major projects completed during this year include:-

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

Assets and Liabilities

The Balance Sheet, on page 50, summarises the Council's assets and liabilities as at 31 March 2019 and explanatory notes are provided. Total net assets have reduced by £32.254 million to £401.380 million. Within this headline figure, there has been significant change in both asset values and liabilities. Property, plant and equipment has increased by £21.979 million; on the liabilities side the pension liability has increased by £52.387 million. The major changes in the Council's Balance Sheet between March 2018 and March 2019 are explained in more detail in the following paragraphs.

Management Commentary (cont'd)

Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £21.979 million to £686.906 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of certain categories of assets was carried out during the year which was offset by in year depreciation charges. Cash equivalents have reduced by £4.083 million due to both revenue and capital cash flows. Long and short- term Debtors and Creditors increased by a net £5.400 million.

Short Term and Long Term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) decreased by £6.953m during the year. Short-term borrowing decreased by £10.027m and long-term borrowing and lease financing increased by £3.074m. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 42. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's gross external debt (including Finance leases) at the year end was £179.63 million which was made available to the Council from various sources, the most significant borrowing of which was from the Public Works Loans Board. This compares with the CFR of £188.78 million and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds to minimise the exposure to investment risk. The Council's Treasury Management Strategy Report for 2018/19 can be found:
https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=21918&p=0

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

The financing charges impacting on the Council Tax were £9.623m (2017/18 £9.862m) and on rents were £4.099m (2017/18 £4.016m).

The Council's average loans rate was 3.88% for 2018/19, an increase of 0.05% from 2017/18.

Management Commentary (cont’d)

Provision, Contingencies and Write-offs

The Council has made provisions of £0.303m

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

Management Commentary (cont'd)

Key Financial Ratios

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

Financial Indicator	Commentary	2018/19 Actual	2017/18 Actual
Reserves			
Uncommitted General Fund Reserve as a proportion of Annual budgeted Net Expenditure	Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Policy in 2018/19 is 4% of the following years budgeted net expenditure which is considered appropriate in the context of the Council's financial and ongoing risk profile. More information is provided in the *Fund Balances* section above.	4.4%	4.3%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	4.2%	3.9%
Council Tax			
In-Year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.	97.64%	97.76%
Ratio of Council Tax income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. East Renfrewshire Council increased Council Tax bills by 3% in 2018/19.	22.0%	21.4%
Financial Management			
Actual Outturn as a percentage of Budgeted Expenditure	How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of the budget monitoring as reported throughout the year. More details are provided in the *Revenue Budget Performance* section above.	98.2%	96.3%
Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget.		1.6%	3.5%

Debt/Long-term Borrowing		ESTIMATE 2018/19	ACTUAL 2018/19	ACTUAL 2017/18
Capital Financing Requirement (CFR) for the current year	External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only.	£215.9m	£188.78m	£193.24m
External Debt Levels for the current year		£214.6m	£179.63m	£176.54m

Management Commentary (cont'd)

Review

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

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

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

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

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

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

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

Management Commentary (cont'd)

4. Financial Outcomes and Key Risks

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

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. However, limited increases in Council Tax are now permitted and it has been agreed to increase Council Tax by 3% per year in 2019/20 and 2020/21 to help mitigate these problems. The financial outlook remains unclear as a result of ongoing uncertainty on the UK's withdrawal from the European Union and of the move to Scotland's increasing fiscal autonomy which makes grant figures more difficult to predict. The position will continue to be monitored and it is hoped that the announcement of three year grant figures by the Scottish Government in December 2019 will assist in reducing this uncertainty. The Council's Crisis Resilience Management Team are closely monitoring the risks associated with the European Union withdrawal and a Brexit Co-ordinator post is being recruited. The UK Government has also previously indicated that replacement funding streams will be introduced to replace any European funding sources no longer available in future. In general, however, forecasts are that funding restrictions are not one-off but will continue for a number of years ahead. To ensure delivery of balanced budgets, this requires the Council to identify and implement savings measures to meet the spending and demand pressures it faces, and to keep its financial position under close review.

Management Commentary (cont'd)

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

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

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

The Financial Planning 2019-2025 paper was approved by Council on 28 February 2019:-
https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=23878&p=0

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

44 employees took the option of voluntary redundancy.

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

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

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

Management Commentary (cont'd)

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

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

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

The Council's strategic risks have been identified, along with their corresponding risk controls and actions, and were reported to Committee for members' consideration in a report to Cabinet, 6 June 2019 (https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=24532&p=0). The highest risks relate to the increase service pressures arising from demographic changes in the area along with staff vacancies.

5. Supplementary Information

Private Finance Initiative/Public Private Partnership & Similar Contracts

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract, ending August 2042, for the construction and maintenance of a replacement Barrhead High School delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. Details of all 4 projects are provided in note 36 to the core financial statements.

Pension Liability

The common position for employers participating in the Strathclyde Pension Fund is that the IAS19 calculation, based on a snapshot valuation as at 31 March 2019, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £134.841m, details of which can be found in note 40 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2019. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest

Management Commentary (cont'd)

or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2019 was 2.4%. This year has seen an increase in pension liabilities to £669.782m (2017/18 £586.007m) which is principally because the financial assumptions at 31 March 2019 are less favourable than they were at 31 March 2018.

This increase in liabilities, offset by an increase in asset values (£534.941m, 2017/18 £503.553m), has resulted in a net increase in the overall pension liability of £52.387m. Employer contributions are based on the longer- term funding valuation as at 31st March 2017. The accounting policies adopted in the accounts reflect the full implementation of IAS19.

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

Group Accounts

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

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet increases the Council's net worth by £15.302m. Full details of these interests are listed within the notes to the Group Accounts.

The Group Balance Sheet increases the Council's net worth by £15.302m.

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

Integration Joint Board

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

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

Management Commentary (cont'd)

Events During 2018/19

Core Systems

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

Transactions between Services

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

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

Capital Investment Strategy

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

Significant Trading Operations

The Local Government Scotland Act 2003 sets out the requirements for statutory trading accounts to be maintained for "significant" trading operations only. The Council after adopting the CIPFA/LASAAC criteria concluded that there are no services that can be classified as a significant trading operation.

Transfer of Budgets

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

Trade Union

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

Management Commentary (cont'd)

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

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

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

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

Events after the Balance Sheet Date

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

Management Commentary (cont'd)

6. Where to Find More information

In this Document

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

On Our Website

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

Acknowledgement

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

Margaret McCrossan CPFA
Head of Accountancy
(Chief Financial Officer)
26 September 2019

Councillor Tony Buchanan
Leader of the Council
26 September 2019

Lorraine McMillan
Chief Executive
26 September 2019

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 26 September 2019

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council
26 September 2019

The Head of Accountancy (Chief Financial Officer) Responsibilities

The Head of Accountancy (Chief Financial Officer) is responsible for the preparation of the Authority's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing Annual Accounts, the Head of Accountancy (Chief Financial Officer) has:
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation;
- complied with the local authority Accounting Code (in so far as it is compatible with legislation)

The Head of Accountancy (Chief Financial Officer) has also:
- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;

I certify that the financial statements give a true and fair view of the financial position of the local authority and its group at the reporting date and the transactions of the local authority and its group for the year ended 31 March 2019.

Margaret McCrossan CPFA Head of Accountancy
(Chief Financial Officer)
26 September 2019

Annual Governance Statement 2018/19

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

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

The Code is built around these seven principles:

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

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

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

Compliance with the Code

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

Annual Governance Statement 2018/19 (cont'd)

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

The purpose of the governance framework

The governance framework comprises the systems, processes, culture and values by which we control our processes and engage with our residents and communities. It enables us to monitor the progress we have made towards achieving our strategic outcomes and to consider whether those outcomes have led to the delivery of appropriate, cost-effective services.

Our system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable assurance of effectiveness. Our system of internal control is based on an ongoing process designed to identify and prioritise the risks to achieving our outcomes, policies, aims and objectives; to evaluating the likelihood of those risks being realised and the impact should they be realised; and to managing them efficiently, effectively and economically.

Our system of internal financial control is based on a well-established framework of regular management and performance information, financial regulations, administrative procedures, management supervision, and a system of delegation and accountability. Regular reviews of information and systems within this framework are undertaken by our managers.

The system includes:

- A clear strategic direction set out in our Vision for the Future, supported by a set of values and five organisational capabilities.
- Sound financial management arrangements which comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- Clear roles and responsibilities for the Corporate Management Team (CMT) and elected members with well-defined delegation arrangements.
- A statutory section 95 officer and a Chief Financial Officer for East Renfrewshire Health and Social Care Partnership (HSCP) Integration Joint Board.
- An Audit and Scrutiny Committee which provides a robust and effective level of scrutiny and challenge.
- High standards of budgeting, monitoring and reporting.
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against forecasts
- Clearly defined capital expenditure guidelines.
- Matching of asset base to Council objectives in terms of suitability and sustainability and supported by appropriate asset management plans overseen by the Corporate Asset Management Group.
- Well embedded and systematic approach to risk management.

Annual Governance Statement 2018/19 (cont'd)

- 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
- The provision of extensive training and development opportunities for all elected members and employees

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2019 and up to the date of approval of the Statement of Accounts.

Review of effectiveness

We have responsibility for conducting, at least annually, a review of the effectiveness of our governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Corporate Management Team who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by external auditors and other scrutiny agencies, regulators and inspectorates.

Internal Audit is our independent appraisal function established for the review of the internal control system as a service to the organisation. The service objectively examines, evaluates and reports on the adequacy of our internal control as a contribution to the proper, economic, efficient and effective use of the Council's resources.

The Internal Audit service operates in accordance with the Public Sector Internal Audit Standards (PSIAS). The service undertakes an annual programme of work approved by the Audit and Scrutiny Committee based on a five year strategic plan. The strategic plan is based on a formal risk based audit needs assessment which is revised on an ongoing basis to reflect evolving risks and changes within the Council. The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

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

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

The Chief Internal Auditor's annual Audit report for 2018/19 was presented to the Audit and Scrutiny Committee in June 2019. The Chief Internal Auditor indicated that reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2019.

An inspection by the Care Inspectorate of our council-run Care at Home service highlighted a number of concerns and areas for improvement which we have been working on and will continue to deliver in 2019/20. We have established a comprehensive improvement plan with

Annual Governance Statement 2018/19 (cont'd)

target completion dates to address the inspection's findings, which will see a wide range of activity and improvements to the following areas:

- Care and Support Personal Plans – new quality processes and documentation.
- Medication Management – updated policy, training module and assessment tool.
- Review of Personal Plans – improved planning and review processes.
- Complaints Handling – improved quality in our handling of complaints through training, better processes for compliance and more learning/analysis from complaints.
- Service Delivery Times – in consultation with service users and analysing visit time data we will aim to deliver the most appropriate scheduling for homecare.
- Staffing levels – addressing recruitment and retention issues within the service.
- Staff training and supervision – improving supervision and staff development within the service.

The improvement activities listed in the 2018/19 Code of Corporate Governance were completed:

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

In the relation to the issues around creditor services:

- The 3 actions for Creditors, highlighted in the 17/18 Management Report by Audit Scotland, have been completed.
- No further actions for Creditors were recommended in the 18/19 Management Report, by Audit Scotland that went to A&S Committee in June 2019.
- In July 2019, Internal Audit validated that the 2018/19 invoice payments performance indicator was materially correct.
- Creditors continue to operate under a strict compliance regime, guided by Standard Operating Procedures, and with regular performance reporting to senior management. The team has been very active in the development of the Council's new finance system which is due to go live at the beginning of September.

Other key achievements during 2018/19 included:

- Council Values were reviewed;
- New approach to service business planning introduced in 2018 and being rolled out over 2019;

Annual Governance Statement 2018/19 (cont'd)

- Community Plan and Fairer East Ren (Local Outcome Improvement Plan) approved in June 2018;
- Outcome Delivery Plan for 2018-21 approved in May 2018;
- Quality Conversation Framework was launched.

Key actions planned for 2019/20 have been identified. These are:

- Full review of the Code of Conduct for Employees considering all related documents, changes to legislation, feedback from employees and managers and the principles in the CIPFA Code;
- Review of council values with stakeholder engagement resulting in the launch of updated council values which will be embedded through the provision of toolkits and briefings;
- The new "Anti-Fraud, Bribery and Theft" Strategy has been prepared for consideration by Corporate Management Team and an annual report on fraud will be submitted for approval in 2020 to ensure full compliance;
- Engagement of internal and external stakeholders for input into design of customer processes for implementation of a new Customer Experience system and Council website; and
- The current Performance Review and Development (PRD) scheme has been re-developed to move to Quality Conversations and promote a more open and constructive discussion between employees and managers with briefing sessions ongoing.
- Ensure our Care at Home improvement plan is fully implemented, with progress against actions and target dates continuing to be reported to the Integration Joint Board throughout 2019/20.
- New financial, payroll and human resources systems will be implemented.

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.

Annual Governance Statement 2018/19 (cont'd)

To deliver these responsibilities the Chief Financial Officer:

- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

The Council considers that it is fully compliant with the above statement.

Assurance

We consider that the governance and internal control environment operating during 2018/19 provided reasonable and objective assurance, that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken.

Looking ahead well-established systems remain in place to review our governance and internal control environment. We will continue to review our corporate governance arrangements and closely monitor progress on the key improvement actions to support our ultimate aim: making people's lives better in East Renfrewshire.

Cllr Tony Buchanan
Leader of the Council
26 September 2019

L. McMillan
Chief Executive
On behalf of East Renfrewshire Council
26 September 2019

Remuneration Report

Remuneration Report

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

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

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

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

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 1 April 2018 the maximum annual salary for the Leader of East Renfrewshire Council was £28,326. The Regulations permit the council to remunerate one Provost and set out the salary that should be paid.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £172,073. The Council is able to exercise local flexibility in the determination of the precise number of Senior Councillors and their salary within these maximum limits.

Remuneration Report (cont'd)

In 2018/19 East Renfrewshire Council had 8 Senior Councillors, which is one less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £169,450. The Regulations also permit the Council to pay contributions or other payments as required to the Local Government Pension Scheme in respect of those councillors who elect to become councillor members of the pension scheme.

The scheme which encompasses the salaries of all elected members including the Leader, Provost and Senior Councillors was agreed at a meeting of the full council on 28 March 2018 and is available at:
https://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=22114&p=0

2. Remuneration Policy for Senior Employees

The salary of senior employees is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services sets the salaries for the Chief Executives of Scottish local authorities circular, CO/150 sets the salary levels for the Chief Executive for the period 2018/19.

3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive, those staff reporting directly to the Chief Executive and any individual receiving more than £150k in year. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included, and in this regard the Chief Executive of East Renfrewshire Culture & Leisure Trust, whose salary is set by the Trust's Board, has been included. The remuneration paid to senior employees, including additional payments for election work, is set out in the following table. Generally senior employees are reimbursed for election work within the relevant financial year, however, payments made to the Chief Executive are phased as indicated below:-

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

Remuneration Report (cont'd)

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

* This salary is funded jointly with East Renfrewshire Integration Joint Board
** This salary is funded jointly with NHS Greater Glasgow and Clyde

Remuneration Report (cont'd)

4. Remuneration of Senior Councillors

Name	Position Held	Notes	Salary - Payments made by Council			Re-imbursement of Members Expenses								Total Salary Expenses 2018/19 (E + M)	Total Salary Expenses 2017/18
			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		28,213	0	28,213	197	228	0	0	75	544	196	1,240	29,453	28,279
Convery	Chair of Licensing Committee		21,160	0	21,160	0	0	0	0	0	0	49	49	21,209	19,089
Cunningham	Deputy Provost		21,245	0	21,245	0	0	0	0	0	0	177	177	21,422	20,905
Devlin	Convener for Housing & Maintenance Services		21,245	0	21,245	0	0	0	0	0	0	266	266	21,511	21,138
Fletcher	Provost		21,160	0	21,160	0	29	2,807	0	0	0	228	3,064	24,224	24,415
Ireland	Chair of Planning Applications/Local Review Body		21,160	0	21,160	0	0	0	0	0	0	55	55	21,215	19,222
Lafferty	Convener for Environment		21,160	0	21,160	0	0	0	0	0	0	231	231	21,391	21,815
Merrick	Convener for Community Services and Community Safety		21,160	0	21,160	0	0	0	0	0	0	29	29	21,189	19,119
Miller	Chair of Audit Committee		21,160	0	21,160	0	0	0	0	0	0	86	86	21,246	20,893
O'Kane	Convener for Education and Equalities	1	21,160	0	21,160	0	0	0	0	0	544	61	605	21,765	21,396
Sub total	Senior Councillors		**218,823**	**0**	**218,823**	**197**	**257**	**2,807**	**0**	**75**	**1,088**	**1,378**	**5,802**	**224,625**	**216,271**
All other Councillors			**135,684**	**0**	**135,684**	**420**	**185**	**0**	**20**	**89**	**544**	**1,966**	**3,224**	**138,908**	**132,925**
Total			**354,507**	**0**	**354,507**	**617**	**442**	**2,807**	**20**	**164**	**1,632**	**3,344**	**9,026**	**363,533**	**349,196**

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

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

Remuneration Report (cont'd)

5. **Pension Entitlement**

Pension benefits for councillors and local government employees are provided through the Local Government Pension Scheme (LGPS).

Councillors' pension benefits are based on career average pay. The councillor's pay for each year or part year ending 31 March (other than the pay in the final year commencing 1 April) is increased by the increase in the cost of living, as measured by the appropriate index (or indices) between the end of that year and the last day of the month in which their membership of the scheme ends. The total of the revalued pay is then divided by the period of membership to calculate the career average pay. This is the value used to calculate the pension benefits.

For local government employees a final salary pension scheme operated until 31 March 2015. This means that pension benefits were based on the final year's pay and the number of years that person has been a member of the scheme. However, from April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.

There is no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Prior to 1 April 2015, the accrual rate guaranteed a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009 the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a full pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The scheme's normal retirement age for both councillors and employees is their state retirement age.

From 1 April 2009 a six tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership. Prior to 2009 contributions rates were set at 6% for all non-manual employees.

The tiers and scheme members' contribution rates for 2018/19 and 2017/18 are as follows:-

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

Remuneration Report (cont'd)

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

The pension entitlements of Senior Employees for the year to 31 March 2019 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.

The pension figures shown relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment, including any service with a Council subsidiary body.

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

Remuneration Report (cont'd)

Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2019 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

Name and Post Title	In Year Pension contribution		2018/19 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2018	
	2018/19 £	2017/18 £	Pension £	Lump Sum £	Pension £	Lump Sum £
Cllr Buchanan – Leader of the Council	5,445	5,157	4,679	1,481	719	78
Cllr Convery – Chair of Licensing Committee	4,084	3,658	830	-	432	-
Cllr Cunningham – Deputy Provost	-	-	-	-	-	-
Cllr Devlin – Convener for Housing & Maintenance	4,100	3,149	776	-	776	-
Cllr Fletcher – Provost	4,084	4,436	6,293	2,365	522	(22)
Cllr Ireland – Chair of Planning Applications / Local Review Body	4,084	3,658	830	-	432	-
Cllr Lafferty – Convener for Environment	4,084	4,012	4,474	1,594	501	40
Cllr Merrick – Convener for Community Services and Community Safety	4,084	3,658	830	-	432	-
Cllr Miller – Chair of Audit Committee	4,084	3,956	3,989	1,395	506	43
Cllr O'Kane – Convener for Education & Equalities	4,084	4,028	2,463	-	442	-

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

Remuneration Report (cont'd)

6. Remuneration of Employees

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions and including redundancy payments) were paid the following amounts:

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

Remuneration Report (cont'd)

7. Exit Packages

The Code requires disclosure of all exit packages agreed, in rising bands. The table below shows all exit packages that were accrued in the year, of which all were voluntary. Exit package values include redundancy, compensatory lump sum, pension strain and notional capitalised compensatory added years costs (CAY). The notional capitalised compensatory added years costs are based on an assessment of the present value of all future payments to the retiree until death. Notional capitalised compensatory added years and pension strain costs relating to teachers are based on Scottish Public Pensions Agency calculations.

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

Councillor Tony Buchanan
Leader of the Council
26 September 2019

Lorraine McMillan
Chief Executive
26 September 2019

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with International Financial Reporting Standards, rather than the amount to be funded from taxation (or rents). The individual segments reflect the reporting structure of the Council. Authorities raise taxation (and rents) to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Year Ended 31 March 2018 (Restated)				Year Ended 31 March 2019		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
145,411	(20,919)	124,492	Education	139,461	(11,335)	128,126
108,555	(64,507)	44,048	HSCP – Provision of Services	113,974	(65,951)	48,023
36,447	(7,816)	28,631	Environment	40,736	(8,512)	32,224
21,989	(15,766)	6,223	Corporate & Community – Community Resources	22,266	(15,839)	6,427
346	(185)	161	Chief Executive's Office	373	(115)	258
5,825	(4,865)	960	Other Expenditure	14,006	(4,165)	9,841
3,267	(259)	3,008	Support Services – Chief Executive's Office	3,489	(235)	3,254
12,047	(1,939)	10,108	Support Services – Corp & Comm	11,531	(705)	10,826
944	(1,962)	(1,018)	Support Services – Environment	2,597	(456)	2,141
334,831	**(118,218)**	**216,613**	**Cost of general fund services**	**348,433**	**(107,313)**	**241,120**
13,335	(11,567)	1,768	HRA	16,278	(11,858)	4,420
348,166	**(129,785)**	**218,381**	**Cost of Services**	**364,711**	**(119,171)**	**245,540**
		(561)	Other operating expenditure (Note 13)			(1,818)
		14,463	Financing and investment income and expenditure (Note 14)			12,295
		(233,894)	Taxation and non-specific grant income (Note 15)			(245,766)
		(1,611)	**(Surplus) or Deficit on Provision of Services**			**10,251**
		(48,028)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 26)			(11,718)
		2,089	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 26)			125
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		(103,800)	Actuarial (gains)/losses on pension assets/liabilities (Note 26)			33,596
		(149,739)	**Other Comprehensive (Income) and Expenditure**			**22,003**
		(151,350)	**Total Comprehensive (Income) and Expenditure**			**32,254**

Movement in Reserves Statement

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

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

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

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves Restated £000	Total Authority Reserves £000
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(383,777)**	**(433,634)**
Movement in reserves during 2018/19									
Total Comprehensive Income and Expenditure	7,861	-	2,390	-	-	-	**10,251**	22,003	**32,254**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(10,068)	-	(2,479)	-	-	8,466	**(4,081)**	4,081	**-**
(Increase)/Decrease in 2018/19	**(2,207)**	**-**	**(89)**	**-**	**-**	**8,466**	**6,170**	**26,084**	**32,254**
Net transfer to or from reserves	**1,786**	**(2,752)**	**-**	**1,829**	**(16)**	**(847)**	**-**	**-**	**-**
Balance at 31 March 2019 carried forward	**(10,554)**	**(19,049)**	**(1,718)**	**(6,581)**	**(1,950)**	**(3,835)**	**(43,687)**	**(357,693)**	**(401,380)**

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves Restated £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(228,675)**	**(282,284)**
Movement in reserves during 2017/18									
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	**(1,611)**	(149,739)	**(151,350)**
Adjustments between accounting basis & funding basis under regulations (Note 11)	(2,837)	-	(3,300)	-	-	11,500	**5,363**	(5,363)	**-**
(Increase)/Decrease in 2017/18	**(7,363)**	**-**	**(385)**	**-**	**-**	**11,500**	**3,752**	**(155,102)**	**(151,350)**
Net transfer to or from reserves	**6,984**	**(4,693)**	**-**	**1,104**	**(9)**	**(3,386)**	**-**	**-**	**-**
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(383,777)**	**(433,634)**

Balance Sheet

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

1 April 2017 (restated) £000	31 March 2018 (restated) £000		Notes	31 March 2019 £000
587,805	664,927	Property, Plant & Equipment	16	686,906
234	234	Heritage Assets	17	234
143	236	Intangible Assets	18	386
246	241	Investments	20	271
588,428	**665,638**	**Long Term Assets**		**687,797**
768	1,037	Assets Held for Sale	19	1,034
359	344	Short Term Intangible Assets		447
349	445	Inventories		456
13,292	13,768	Short Term Debtors	21	15,791
5,000	24,000	Short Term Investments		33,997
35,530	34,223	Cash and Cash Equivalents	23	30,140
55,298	**73,817**	**Current Assets**		**81,865**
(1,764)	(2,617)	Short Term Borrowing		(2,163)
(3,126)	(4,308)	Finance Leases including PFI/PPP	20	(4,732)
(42,795)	(40,991)	Short Term Creditors	24	(48,516)
(155)	(130)	Provisions – short term	25	(152)
(47,840)	**(48,046)**	**Current Liabilities**		**(55,563)**
(152)	(159)	Provisions – long term	25	(151)
(62,568)	(79,951)	Long Term Borrowing	20	(87,788)
(341)	(92)	Long Term Creditors	20,24	(93)
(72,825)	(90,481)	PFI/PPP Finance Lease	20	(85,748)
(173,922)	(82,454)	Defined Benefit Pension Liability	40	(134,841)
(3,794)	(4,638)	Capital Grant Receipts in Advance	32	(4,098)
(313,602)	**(257,775)**	**Long Term Liabilities**		**(312,719)**
282,284	**433,634**	**Net Assets**		**401,380**
(53,609)	(49,857)	Usable Reserves	12	(43,687)
(228,675)	(383,777)	Unusable Reserves	26	(357,693)
(282,284)	**(433,634)**	**Total Reserves**		**(401,380)**

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2019
The audited accounts, including amendments made following the audit, were authorised for issue on 26 September 2019

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2017/18 £000		2018/19 £000
(1,611)	Net (surplus) or deficit on the provision of services	10,251
(19,381)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27)	(36,849)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(20,992)	Net cash flows from Operating Activities	(26,598)
40,377	Investing Activities (Note 28)	23,729
(18,078)	Financing Activities (Note 29)	6,952
1,307	Net (increase) or decrease in cash and cash equivalents	4,083
(35,530)	Cash and cash equivalents at the beginning of the reporting period	(34,223)
(34,223)	**Cash and cash equivalents at the end of the reporting period (Note 23)**	**(30,140)**

Notes to the Accounts

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Authority's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and the Local Government in Scotland Act 2003, section 12 of which requires the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. The accounts have been prepared on the basis that the Council is a going concern.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Cash and Cash Equivalents

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

Notes to the Accounts (cont'd)

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

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to loans fund principal charges. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (loans fund principal), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and flexi leave, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. flexi leave) earned by employees but not taken before the year-end which employees can carry forward into the next financial year.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. In this respect East Renfrewshire have treated Strain on the Pension Fund payments as termination benefits.

Notes to the Accounts (cont'd)

Post- Employment Benefits

Employees of the Authority are members of two separate pension schemes:

- The Scottish Teachers' Superannuation Scheme, administered by the Scottish Government.
- The Local Government Pension Scheme, administered by Glasgow City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees working for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price
    - property - market value

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

- Service cost comprising:

Current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
Past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs
Gains/losses on settlements - the decrease in liabilities as a result of the council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 40) - credited to the Surplus on the

Notes to the Accounts (cont'd)

Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.

Net interest on the net defined benefit liability, i.e. net interest expenses for the authority. The change during the period is the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

The return on plan assets - excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure

Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year- end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Common Good & Trusts

The Council administers a Common Good Fund. As part of the management agreements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to those assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in

Notes to the Accounts (cont'd)

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

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

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

Events after the Balance Sheet date

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

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

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

Financial Instruments

Financial Liabilities

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

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Notes to the Accounts (cont'd)

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics.

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are all therefore classified as amortised cost. In previous years these assets, although still recorded as amortised costs, were classed as loans and receivables.

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investing Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

Where material, the authority recognises expected credit losses on all of its financial assets held at amortised cost with the exception of deposits with Central Government and other Local Authorities. Only lifetime losses are recognised for trade receivables (debtors) held by the authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses.

Fair Value Measurement

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

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

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

Notes to the Accounts (cont'd)

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- the Authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants which fund capital expenditure of the Council) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure or the General Fund, where the grant or contribution funds third party capital projects

Business Improvement Districts

The Council is the billing authority for the Clarkston Business Improvement District, Giffnock Business Improvement District and Barrhead Business Improvement District. These are managed by an umbrella group led by the East Renfrewshire Chamber of Commerce and local businesses, who aim to promote and improve the respective areas for businesses and residents alike through publicised projects and events.

The Carbon Reduction Commitment Scheme

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

Notes to the Accounts (cont'd)

at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to services on the basis of energy consumption.

Heritage Assets

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

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 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).

Notes to the Accounts (cont'd)

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 consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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 36 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes

Notes to the Accounts (cont'd)

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 7.19% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- contingent rent - increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- payment towards liability - applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- lifecycle replacement costs - proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Provisions, Contingent Liabilities and Contingent Assets Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Notes to the Accounts (cont'd)

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. PRIOR YEAR ADJUSTMENT

There are two prior years adjustments reflected in the accounts:-

(A)
As a result of a change to the Accounting Code of Practice, internal transactions have now been removed from the individual segments in The Comprehensive Income and Expenditure Statement. Previously these had been shown as a total on a separate line below the *Cost of General Fund Services*. There is no impact on the individual net expenditure figures.

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

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

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

The following are the relevant extracted lines from the Balance Sheet showing the originally stated information and the amendments made. These adjustments are also reflected in the Comprehensive Income and Expenditure Statement and the unusable reserves shown in the Movement in Reserves Statement.

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

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

Notes to the Accounts (cont'd)

	As Originally Stated 2015/16 £'000	As Restated 2015/16 £'000	Cumulative Restatements 2015/16 £'000
Property , Plant & Equipment	555,735	543,999	(11,736)
Unusable Reserves	(260,128)	(248,392)	11,736

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

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

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

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

Notes to the Accounts (cont'd)

3. EXPENDITURE AND FUNDING ANALYSIS

The objective of the Expenditure and Funding Analysis is to demonstrate to Council Tax (and Rent) payers how the funding available to the authority (i.e. Government Grants, Rents, Council Tax and Business Rates) for the year has been used in providing services in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between the Council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

	2017/18				2018/19	
Net Expenditure Chargeable to the General Fund and HRA Balances £'000	**Adjustments Between Funding & Accounting Basis (See Note 4) £'000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**		**Net Expenditure Chargeable to the General Fund and HRA Balances £'000**	**Adjustments Between Funding & Accounting Basis (See Note 4) £'000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £'000**
114,037	10,455	124,492	Education	117,512	10,614	128,126
43,272	776	44,048	HSCP - Provision of Services	45,600	2,423	48,023
24,385	4,246	28,631	Environment	22,941	9,283	32,224
5,680	543	6,223	Corporate & Community – Community Resources	5,988	439	6,427
(82)	243	161	Chief Executive's Office	(57)	315	258
10,934	(9,974)	960	Other Expenditure	10,427	(586)	9,841
2,694	314	3,008	Support Services – Chief Executive's Office	2,869	385	3,254
7,846	2,262	10,108	Support Services – Corp & Comm	8,230	2,596	10,826
1,508	(2,526)	(1,018)	Support Services – Environment	1,913	228	2,141
210,274	**6,339**	**216,613**	**Net Cost of General Fund Services**	**215,423**	**25,697**	**241,120**
(209)	1,977	1,768	HRA	98	4,322	4,420
210,065	**8,316**	**218,381**	**Cost of Services**	**215,521**	**30,019**	**245,540**
(785)	224	(561)	Other operating expenditure	(831)	(987)	(1,818)
9,380	5,083	14,463	Financing and investment income and expenditure	9,412	2,883	12,295
(224,117)	(9,777)	(233,894)	Taxation and non-specific grant income	(227,364)	(18,402)	(245,766)
(5,457)	**3,846**	**(1,611)**	**(Surplus) / Deficit on Provision of Services**	**(3,262)**	**13,513**	**10,251**
(22,602)			Opening General Fund and HRA Balance	(28,059)		
(5,457)			(Surplus) / Deficit on General Fund and HRA Balance in Year	(3,262)		
(28,059)			**Closing General Fund and HRA Balance***	**(31,321)**		

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

Notes to the Accounts (cont'd)

4. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

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

2018/19	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
Education	10,645	2,940	(2,971)	10,614
HSCP – Provision of Services	235	2,194	(6)	2,423
Environment	8,324	1,789	(830)	9,283
Corporate & Community – Community Resources	12	573	(146)	439
Chief Executive's Office	-	-	315	315
Other Expenditure	-	7,077	(7,663)	(586)
Support Services – Chief Executive's Office	-	413	(28)	385
Support Services – Corp & Comm	1,859	910	(173)	2,596
Support Services – Environment	226	-	2	228
Net Cost of General Fund Services	**21,301**	**15,896**	**(11,500)**	**25,697**
HRA	8,232	450	(4,360)	4,322
Cost of Services	**29,533**	**16,346**	**(15,860)**	**30,019**
Other Operating Expenditure	(987)	-	-	(987)
Financing & Investment Income & Expenditure	-	2,445	438	2,883
Taxation & Non-Specific Grant Income	(18,402)	-	-	(18,402)
(Surplus)/Deficit on Provision of Services	**10,144**	**18,791**	**(15,422)**	**13,513**

2017/18	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
Education	12,116	2,300	(3,961)	10,455
HSCP – Provision of Services	(1,106)	1,883	(1)	776
Environment	3,663	1,494	(911)	4,246
Corporate & Community – Community Resources	-	478	65	543
Chief Executive's Office	-	-	243	243
Other Expenditure	-	149	(10,123)	(9,974)
Support Services – Chief Executive's Office	-	329	(15)	314
Support Services – Corp & Comm	1,540	702	20	2,262
Support Services – Environment	(2,529)	-	3	(2,526)
Net Cost of General Fund Services	**13,684**	**7,335**	**(14,680)**	**6,339**
HRA	6,096	375	(4,494)	1,977
Cost of Services	**19,780**	**7,710**	**(19,174)**	**8,316**
Other Operating Expenditure	224	-	-	224
Financing & Investment Income & Expenditure	-	4,622	461	5,083
Taxation & Non-Specific Grant Income	(9,777)	-	-	(9,777)
(Surplus)/Deficit on Provision of Services	**10,227**	**12,332**	**(18,713)**	**3,846**

Notes to the Accounts (cont'd)

Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net charge for the Pensions Adjustments

Net charge for the removal of pension contributions and the addition of IAS 19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** – the net interest on the defined benefit liability is charged to the Consolidated Income and Expenditure Statement.

Other Differences

This column records other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under 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.

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

The code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2019/20 code:-

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

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

Notes to the Accounts (cont'd)

6. EXPENDITURE AND INCOME ANALYSED BY SERVICE

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

2018/19

Expenditure/Income	Education	HSCP	Environment	Corporate & Community – Community Resources	Chief Executive's Office	Other Expenditure	Support Services	Housing Revenue Account	Costs not included in a service	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure										
Employee expenses	94,812	22,398	15,479	5,480	128	7,077	13,620	3,953	2,445	**165,392**
Other services expenses	34,004	42,784	16,933	16,774	245	6,929	1,912	4,093	-	**123,674**
Depreciation, amortisation, impairment	10,645	235	8,324	12	-	-	2,085	8,232	-	**29,533**
Interest payments	-	-	-	-	-	-	-	-	10,888	**10,888**
Gain on the disposal of assets	-	-	-	-	-	-	-	-	(987)	**(987)**
Total expenditure	**139,461**	**65,417**	**40,736**	**22,266**	**373**	**14,006**	**17,617**	**16,278**	**12,346**	**328,500**
Income										
Fees, charges and other service income	(6,790)	(16,484)	(6,855)	(749)	(115)	(3,763)	(1,396)	(11,858)	(831)	**(48,841)**
Interest and investment income	-	-	-	-	-	-	-	-	(1,038)	**(1,038)**
Income from council tax	-	-	-	-	-	-	-	-	(50,114)	**(50,114)**
Government grants and contributions (Note 32)	(4,545)	(910)	(1,657)	(15,090)	-	(402)	-	-	(195,652)	**(218,256)**
Total income	**(11,335)**	**(17,394)**	**(8,512)**	**(15,839)**	**(115)**	**(4,165)**	**(1,396)**	**(11,858)**	**(247,635)**	**(318,249)**
(Surplus)/Deficit on the Provision of Services	**128,126**	**48,023**	**32,224**	**6,427**	**258**	**9,841**	**16,221**	**4,420**	**(235,289)**	**10,251**

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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure										
Employee expenses	88,027	22,151	15,593	5,328	104	149	12,234	3,924	4,622	**152,132**
Other services expenses	45,268	41,885	17,191	16,661	242	5,676	5,013	3,315	-	**135,251**
Depreciation, amortisation, impairment	12,116	(1,106)	3,663	-	-	-	(989)	6,096	-	**19,780**
Interest payments	-	-	-	-	-	-	-	-	10,457	**10,457**
Gain on the disposal of assets	-	-	-	-	-	-	-	-	224	**224**
Total expenditure	**145,411**	**62,930**	**36,447**	**21,989**	**346**	**5,825**	**16,258**	**13,335**	**15,303**	**317,844**
Income										
Fees, charges and other service income	(17,105)	(17,873)	(6,200)	(512)	(185)	(4,865)	(4,160)	(11,567)	(785)	**(63,252)**
Interest and investment income	-	-	-	-	-	-	-	-	(616)	**(616)**
Income from council tax	-	-	-	-	-	-	-	-	(48,072)	**(48,072)**
Government grants and contributions (Note 32)	(3,814)	(1,009)	(1,616)	(15,254)	-	-	-	-	(185,822)	**(207,515)**
Total income	**(20,919)**	**(18,882)**	**(7,816)**	**(15,766)**	**(185)**	**(4,865)**	**(4,160)**	**(11,567)**	**(235,295)**	**(319,455)**
(Surplus)/Deficit on the Provision of Services	**124,492**	**44,048**	**28,631**	**6,223**	**161**	**960**	**12,098**	**1,768**	**(219,992)**	**(1,611)**

Notes to the Accounts (cont'd)

7. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council has entered into 4 Private Financial Initiatives/Public Private Partnership and similar contracts for the provision of educational buildings and the construction of a new road. The Council has considered the tests under IFRIC 12 and concluded that these are service concession arrangements.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results differ Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £65.9m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £11.8m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £52.7m
Pensions Liability – *McCloud/Sargeant* ruling	When the Local Government Pension Scheme (LGPS) Scotland benefit structure was reformed in 2015, transitional protections were applied to certain older members. Due to a recent Court of Appeal ruling (McCloud/Sargeant) these protections may need enhanced to all eligible members. A form of consulting actuaries was engaged	The effects on the net pension liability as provided by the form of consulting activities results in an estimated increase of £6.767m. This is reflected in the Balance Sheet.

Notes to the Accounts (cont'd)

	to provide the Authority with expert advice about the assumptions to be applied.	
Property Values	The calculation of the value of certain non-current assets is dependent on their assumed level of occupancy.	The all-risk yield applied reflects the relative security of the buildings anticipated income stream, any movement in this will have an impact on the valuation.
Arrears	At 31 March 2019, the Authority had a balance of sundry debtors of £2.58m. A review of significant balances suggested that an impairment of doubtful debts of 41.72% / £1.08m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.08m to be set aside as an allowance.

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

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

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

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

10. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 6 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

11. MOVEMENT IN RESERVES STATEMENT – ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Movements can be traced through Note 26.

Notes to the Accounts (cont'd)

2018/19	General Fund Balance £000	Housing Revenue Account £000	Capital Reserve £000	Repairs and Renewals Fund £000	Insurance Fund £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(21,061)	(8,232)	-	-	-	29,293
Amortisation of intangible assets (Note 18)	(240)	-	-	-	-	240
Capital grants and contributions applied (Note 34)	15,383	3,019	-	-	-	(18,402)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 9)	990	(3)	-	-	-	(987)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	11,021	3,009	-	-	-	(14,030)
Capital expenditure charged against the General Fund and HRA balances	2,339	300	-	-	-	(2,639)
Voluntary provision for repayment of debt (Note 26)	108	-	-	-	-	(108)
Adjustments primarily involving the Capital Reserve:						
Use of the Capital Reserve to finance new capital expenditure (Note 34)	-	-	8,466	-	-	(8,466)
Adjustments primarily involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 26)	9	-	-	-	-	(9)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 26)	(18,222)	(569)	-	-	-	18,791
Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 26)	(395)	(3)	-	-	-	398
Total Adjustments (see MIRS)	**(10,068)**	**(2,479)**	**8,466**	**-**	**-**	**4,081**

Notes to the Accounts (cont'd)

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

Notes to the Accounts (cont'd)

12. MOVEMENT IN RESERVES STATEMENT – TRANSFER TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

	Balance at 31 March 2017 £000	Transfers Out 2017/18 £000	Transfers In 2017/18 £000	Balance at 31 March 2018 £000	Transfers Out 2018/19 £000	Transfers In 2018/19 £000	Balance at 31 March 2019 £000
Non-earmarked Reserve	**(9,754)**	**6,984**	**(7,363)**	**(10,133)**	**1,786**	**(2,207)**	**(10,554)**
Equalisation Reserve	(2,332)	-	(226)	(2,558)	-	(241)	(2,799)
Modernisation Fund	(6,690)	426	(1,028)	(7,292)	694	(1,062)	(7,660)
Unspent Grants	(323)	323	(1,102)	(1,102)	1,102	(2,003)	(2,003)
Whitelee Wind Farm	(723)	244	(301)	(780)	374	(286)	(692)
Commuted Sums	(1,536)	56	(814)	(2,294)	248	(447)	(2,493)
Devolved School Management	-	-	(2,271)	(2,271)	569	(1,500)	(3,202)
Feasibility Fund	-	-	-	-	-	(200)	(200)
General Fund Total	**(21,358)**	**8,033**	**(13,105)**	**(26,430)**	**4,773**	**(7,946)**	**(29,603)**
HRA	(1,244)	500	(885)	(1,629)	300	(389)	(1,718)
Capital Reserve	(19,568)	11,500	(3,386)	(11,454)	8,466	(847)	(3,835)
Repairs and Renewal Fund	(9,514)	1,261	(157)	(8,410)	3,035	(1,206)	(6,581)
Insurance Fund	(1,925)	-	(9)	(1,934)	-	(16)	(1,950)
Total	**(53,609)**	**21,294**	**(17,542)**	**(49,857)**	**16,574**	**(10,404)**	**(43,687)**

13. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

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

Notes to the Accounts (cont'd)

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

	2018/19 £000	2017/18 £000
Interest payable and similar charges	10,885	10,457
Pension interest costs and expected return on pension assets	2,445	4,622
Interest receivable and similar income	(1,038)	(616)
Expected credit loss	3	-
Total	**12,295**	**14,463**

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

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

Notes to the Accounts (cont'd)

16. PROPERTY, PLANT AND EQUIPMENT

Movements on Balances

Movements in 2018/19

Cost or Valuation	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
At 1 April 2018	**167,467**	**323,202**	**36,555**	**37,578**	**2,989**	**3,532**	**3,555**	**145,967**	**720,845**
Additions	4,181	7,857	4,627	2,542	333	9	19,929	1,284	40,762
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	7,705	3,885	-	-	-	-	-	-	11,590
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,603)	(5,300)	-	-	-	-	-	-	(6,903)
Derecognition – disposals	-	-	(720)	-	-	-	-	-	(720)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	(1,034)	-	-	(1,034)
Assets transferred to/from assets under construction	2,550	5,124	-	-	-	-	(7,674)	-	-
Assets transferred to/from Surplus Assets	-	-	-	-	-	-	-	-	-
Depreciation written back on revaluation	(5,441)	(1,899)	-	-	-	-	-	-	(7,340)
At 31 March 2019	**174,859**	**332,869**	**40,462**	**40,120**	**3,322**	**2,507**	**15,810**	**147,251**	**757,200**
Accumulated Depreciation and Impairment									
At 1 April 2018	(9,063)	(1,165)	(27,634)	(9,963)	-	(26)	-	(8,067)	(55,918)
Depreciation charge	(6,443)	(6,587)	(4,373)	(1,256)	-	(26)	-	(3,705)	(22,390)
Depreciation written out on revaluation and disposal	5,442	1,899	673	-	-	-	-	-	8,014
Derecognition	-	-	-	-	-	-	-	-	-
At 31 March 2019	**(10,064)**	**(5,853)**	**(31,334)**	**(11,219)**	**-**	**(52)**	**-**	**(11,772)**	**(70,294)**
Net Book Value At 31 March 2019	**164,795**	**327,016**	**9,128**	**28,901**	**3,322**	**2,455**	**15,810**	**135,479**	**686,906**
At 31 March 2018	**158,404**	**322,037**	**8,921**	**27,615**	**2,989**	**3,506**	**3,555**	**137,900**	**664,927**

Notes to the Accounts (cont'd)

Comparative Movements in 2017/18

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

Notes to the Accounts (cont'd)

Depreciation

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

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

Capital Commitments

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

	£000
Primary School Newton Mearns	15,300
Early Learning & Childcare Expansion to 1,140 hours	24,102
Core System Upgrade	3,500
Wireless Local Area Network	1,050
House Building Programme	12,921

Revaluations

The Authority carries out a five year revaluation programme ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on a regular basis, in the current year Housing, Community Halls, Pavilions, Libraries, Resource Centres and Leisure Centres and Sports Pitches. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:-

- the amount which an asset could be exchanged for, between knowledgeable, willing parties, in an arm's length transaction
- the amount that would be paid for the asset in its existing use.
- the amount as determined at an assumed valuation date.

Notes to the Accounts (cont'd)

17. HERITAGE ASSETS

Reconciliation of the carrying value of Heritage Assets held by the Authority

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

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

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

Notes to the Accounts (cont'd)

18. INTANGIBLE ASSETS

The Authority accounts for its software licences as intangible assets, to the extent that they are not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment.

All licences are given a finite useful life of less than 5 years, based on assessments of the period that they are expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £240k charged to revenue in 2018/19 was charged to the IT Administration cost centre.

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

	2018/19 Software Licences £000	2017/18 Software Licenses £000
Balance at start of year:		
• Gross carrying amounts	1,216	1,044
• Accumulated amortisation	(980)	(901)
Net carrying amount at start of year	**236**	**143**
Additions:		
• Internal development	-	-
• Purchases	390	172
• Acquired through business combinations	-	-
Amortisation for the period	(240)	(79)
Other changes	-	-
Derecognition		
• Gross Book Value	-	-
• Accumulated amortisation	-	-
Net carrying amount at end of year	**386**	**236**
Comprising:		
• Gross carrying amounts	1,606	1,216
• Accumulated amortisation	(1,220)	(980)
Balance at end of year:	**386**	**236**

Notes to the Accounts (cont'd)

19. ASSETS HELD FOR SALE

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

Notes to the Accounts (cont'd)

20. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet. Both years presented, below, reflect the impact of IFRS 9. The 2017/18 disclosure has been amended to reflect these new requirements.

	Long-term		Current	
	31 March 2019 £000	31 March 2018 £000	31 March 2019 £000	31 March 2018 £000
Investments				
Loans and receivables	271	241	66,901	59,964
Total investments	**271**	**241**	**66,901**	**59,964**
Borrowings				
Financial liabilities at amortised cost (including Bank overdraft and long term creditors)	(87,881)	(80,043)	(4,944)	(4,376)
Total Borrowings	**(87,881)**	**(80,043)**	**(4,944)**	**(4,376)**
Other Long Term Liabilities				
PFI and finance lease liabilities	(85,748)	(90,481)	(4,732)	(4,308)
Total other long term liabilities	**(85,748)**	**(90,481)**	**(4,732)**	**(4,308)**

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

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

Notes to the Accounts (cont'd)

Fair Values of Assets and Liabilities

Financial liabilities and financial assets including long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2*), using the following assumptions:

- For loans from the PWLB payable, borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;

Mark to Model Valuation for Financial Instruments – As at 31 March the Council held £67,172k financial assets and £92,825k financial liabilities for which Level 2 valuations will apply. All the financial assets are held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1* valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Link Asset Services. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

	31 March 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	92,825	127,097	84,419	117,313

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2019) arising from a commitment to pay interest to lenders above current market rates.

Notes to the Accounts (cont'd)

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

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

The authority has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. As part of the Financial Liabilities shown in the two tables above is a PWLB carrying amount of £74.70m, the fair value using New Borrowing Rates would be £101.56m. But, if the authority were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge. The exit price for the PWLB loans including the additional charges would be £122.85m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £74.70m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

	31 March 2019		31 March 2018	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Deposits: short-term	32,904	32,965	35,964	36,011
Investments: short-term	33,997	34,033	24,000	24,039
Investments: long-term	271	271	241	241
	67,172	**67,269**	**60,205**	**60,291**

The fair value of the assets is similar to the carrying amount because the Council's portfolio of loans includes all variable rate loans where the interest rates receivable are similar to the rates available for similar loans at the Balance Sheet date.

Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

* Definitions of Levels 1 - 3 can be found within the Accountancy Policies - Note 1

Notes to the Accounts (cont'd)

21. DEBTORS

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

22. DEBTORS FOR LOCAL TAXATION

The past due but not impaired amount for local taxation (council tax and non-domestic rates) can be analysed by age as follows:

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

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

23. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

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

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

Notes to the Accounts (cont'd)

24. CREDITORS

	31 March 2019 £000 Short-term	31 March 2019 £000 Long-term	31 March 2018 £000 Short-term	31 March 2018 £000 Long-term
Trade payables	(8,163)	-	(5,100)	-
Payables to related parties	(9,749)	-	(9,740)	-
Other accounts	(30,604)	(93)	(26,151)	(92)
TOTAL	**(48,516)**	**(93)**	**(40,991)**	**(92)**

25. PROVISIONS

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

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

Two long term provisions have been made in the accounts totalling £151k. These are made up firstly of £7k a provision in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities which made up the former Strathclyde Region. East Renfrewshire Council's share of liabilities which will materialise in the future is 4.83%. Secondly, there is a provision of £144k to cover insurance excess for outstanding claims made against the Council.

Notes to the Accounts (cont'd)

26. BALANCE SHEET – UNUSABLE RESERVES

	31 March 2019	31 March 2018
	£000	£000
Revaluation Reserve	(155,245)	(148,561)
Capital Adjustment Account	(344,536)	(324,636)
Financial Instruments Adjustment Account	1,345	1,462
Pensions Reserve	134,841	82,454
Statutory Accumulating Compensated Absences Account	5,902	5,504
Total Unusable Reserves	**(357,693)**	**(383,777)**

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31 March 2019	31 March 2018 (Restated)
	£000	£000
Balance at 1 April	**(148,561)**	**(107,064)**
Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:		
Upward revaluation of assets	(11,718)	(48,028)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	125	2,089
Amount written off to the Capital Adjustment Account:		
Difference between fair value depreciation and historical cost depreciation	4,204	3,754
Accumulated gains on assets sold or scrapped	705	688
Balance at 31 March	**(155,245)**	**(148,561)**

Notes to the Accounts (cont'd)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions.

The Account contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	2018/19	2017/18
	£000	**£000**
Balance at 1 April	**(324,636)**	**(302,705)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
• Charges for depreciation and impairment of non-current assets	29,293	19,701
• Revaluation losses on Property, Plant and Equipment	-	-
• PPP/PFI lifecycle costs	(1,229)	(1,733)
• Amortisation of intangible assets	240	79
• 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	1,120	1,884
	(295,212)	(282,774)
Adjusting amounts written out of the Revaluation Reserve	(4,909)	(4,442)
Net written out amount of the cost of non-current assets consumed in the year	(300,121)	(287,216)
Capital financing applied in the year:		
• Use of the Capital Receipts to finance new capital expenditure	(2,107)	(1,660)
• Grants applied to Capital Investment	(18,402)	(9,777)
• PPP/PFI Finance lease repayments	(4,308)	(3,469)
• Loan repayments for the financing of capital investment charged against the General Fund and HRA balances	(9,722)	(9,636)
• Capital Funded from Current Revenue/capital reserve	(9,876)	(12,878)
Balance at 31 March	**(344,536)**	**(324,636)**

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the

Notes to the Accounts (cont'd)

early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2019 will be charged to the General Fund over the next 5 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2018/19	2017/18
	£000	£000
Balance at 1 April	**1,462**	**1,696**
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(108)	(225)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(9)	(9)
Balance at 31 March	**1,345**	**1,462**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2018/19	2017/18
	£000	£000
Balance at 1 April	**82,454**	**173,922**
Actuarial (gains) or losses on pension assets and liabilities	33,596	(103,800)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	29,612	21,616
Employer's pension contributions and direct payments to pensioners payable in the year	(10,821)	(9,284)
Balance at 31 March	**134,841**	**82,454**

Notes to the Accounts (cont'd)

Short term Accumulating Compensated Absences Adjustment Account

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

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

27. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2018/19 £000	2017/18 £000
Interest received	(518)	(194)
Interest paid	4,627	4,402
Interest element of finance lease rental and PPP/PFI payment	6,502	6,240

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

	2018/19 £000	2017/18 £000
Depreciation and impairment	(29,293)	(19,701)
Amortisation of intangible assets	(240)	(79)
(Increase)/decrease in creditors	(7,247)	1,959
Increase/(decrease) in debtors	(795)	889
Increase/(decrease) in inventories	11	96
Movement in pension liability	(18,791)	(12,332)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	987	(224)

Notes to the Accounts (cont'd)

Other non-cash items charged to the net surplus or deficit on the provision of services	18,519	10,011
	(36,849)	**(19,381)**

28. CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2017/18 £000
Purchase of property, plant and equipment and intangible assets	41,354	52,288
Purchase of short-term and long-term investments	68,765	72,695
Proceeds from the sale of property, plant and equipment and intangible assets	(2,107)	(1,660)
Proceeds from short-term and long-term investments	(68,765)	(72,695)
Other receipts from investing activities	(15,518)	(10,251)
Net cash flows from investing activities	**23,729**	**40,377**

29. CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19 £000	2017/18 £000
Financing activities as at 1 April	**(153,116)**	**(135,038)**
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	4,308	3,469
Repayments of short and long-term borrowing	2,644	759
Other payments for financing activities	-	(22,306)
Financing activities as at 31 March	**(146,164)**	**(153,116)**

30. AGENCY SERVICES

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

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

31. EXTERNAL AUDIT COSTS

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

Notes to the Accounts (cont'd)

32. GRANT INCOME

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

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

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver if they are not used as specified. The balances at the year-end are as follows:

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

33. RELATED PARTIES

The Authority is required to disclose material transactions with related parties - bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

Notes to the Accounts (cont'd)

Scottish Government

The Scottish Government has significant influence over the general operations of the authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties. Grants received from government departments are set out in note 32.

Members

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2018/19 is shown on page 42. The code of conduct for members requires them to complete a Declaration of Interest which is updated annually and held on a central register which is held by the Corporate and Community Department at Council Headquarters. A member is required to declare an interest where he/she feels that there may be a perception that their decision making may be influenced in any way by a personal interest or by representing an associated body. When this situation arises, and where appropriate, the relevant members do not take part in any discussion or decision in relation to that interest.

Officers

A similar register exists to enable officials to declare an interest when there could be a perception that a decision taken could be influenced by an activity undertaken on a personal basis or by representing an associated body. Again, when this situation arises the relevant officer does not take part in any discussion or decision relating to that interest. This register is held by the Corporate and Community Department at the Council Headquarters. Remuneration paid to senior employees is shown on page 41.

Entities Controlled or Significantly Influenced by the Council

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

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

34. CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

Notes to the Accounts (cont'd)

2018/19	Housing £000	General Fund £000	Total £000
Opening Capital Financing Requirement as at 31 March 2018	26,587	166,648	193,235
Capital investment			
Property, Plant and Equipment	8,628	32,451	41,079
Intangible Assets	-	108	108
Revenue Expenditure Funded from Capital under Statute	-	-	-
Sources of finance			
Capital Reserve	-	(8,466)	(8,466)
Capital receipts	(204)	(1,903)	(2,107)
Government grants and other contributions	(3,019)	(15,383)	(18,402)
Sums set aside from revenue			
Direct revenue contributions	(300)	(1,110)	(1,410)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(5,537)	(5,537)
Loans Fund Principal	(3,009)	(6,713)	(9,722)
Closing Capital Financing Requirement as at 31 March 2019	**28,683**	**160,095**	**188,778**
Explanation of Movements in Year			
Increase in underlying need to borrow	2,096	(6,553)	(4,457)
Assets acquired under lease and lease type arrangements	-	-	-
Increase/(decrease) in Capital Financing Requirement	**2,096**	**(6,553)**	**(4,457)**

2017/18	Housing £000	General Fund £000	Total £000
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**
Explanation of Movements in Year			
Increase in underlying need to borrow	(169)	(4,615)	(4,784)
Assets acquired under lease and lease type arrangements	-	18,838	18,838
Increase/(decrease) in Capital Financing Requirement	**(169)**	**14,223**	**14,054**

Notes to the Accounts (cont'd)

35. LEASES

AUTHORITY AS A LESSEE

Operating Leases

The Authority has operating leases within land, property, vehicles and equipment, incorporating a mix of lease lives.

The future minimum lease payments due under non-cancellable leases in future years are:

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

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

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

AUTHORITY AS A LESSOR

Operating Leases

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

- for the provision of community services

Notes to the Accounts (cont'd)

- for economic development purposes to provide suitable affordable accommodation for local businesses

The future minimum lease payments receivable under non-cancellable operating leases in the aggregate and for each of the following periods:-

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

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2018/19 £9,623 contingent rents were receivable by the Authority (2017/18 no contingent rents were receivable by the Authority).

36. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

(I) Schools PFI Contract

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

The services are the provision of a new Mearns Primary School and an extension to St Ninians High School. The contract is for a period of 25 years commencing August 2001 and the assets will revert to the Council at the end of the contract period. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment Balance in Note 16.

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

Notes to the Accounts (cont'd)

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

The total value of payments over the remainder of the contract before inflation will be £16.0m and the total value of income from the Scottish Government will be £9.2m resulting in a net outstanding undischarged obligation before inflation of £6.8m.

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

(II) Roads PFI Contract

The Council finalised a PFI agreement in conjunction with South Lanarkshire Council and the Scottish Executive to construct the Glasgow Southern Orbital Road and the M77 extension. Some 26.67% of the asset relates to East Renfrewshire Council.

The contract was signed on 30 April 2003 with Connect to construct and thereafter maintain the new roads for a period of 30 years commencing April 2005. At the end of the contract period the roads will revert to the respective authorities. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

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

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

Notes to the Accounts (cont'd)

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

The outstanding undischarged net obligation is currently £1.6m.

Estimated Cash Value of Payments Due to be Made

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

(III) Schools PPP Project

On 10 December 2004 the Council signed a further schools PPP contract for the provision of a new Williamwood High School, a new Primary School/Community Inclusive Education Campus for Carlibar and extensions to Mearns Castle High School and Woodfarm High School. The extensions were handed over to the Council in December 2005 and the new schools were handed over on target in July 2006.

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

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

The Annual Unitary Charge is a fixed sum of £6.86m and this is offset by a Direct Support Payment from the Scottish Government of £3.95m leaving a net cost to the Council of £2.91m.

The total value of payments over the remainder of the contract before inflation will be £84.04m and the total value of income from the Scottish Government will be £43.41m leaving a net outstanding undischarged obligation of £40.63m.

Notes to the Accounts (cont'd)

The Gross Unitary Charge is subject to inflation increases less than the Retail Price Index but the gearing effect of the Scottish Government contribution carrying no increases results in the net burden increasing by more than the Retail Price Index.

Estimated Cash Value of Payments Due to be Made

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

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

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

The contract is for 25 years from August 2017 and the asset will revert to the Council at the end of the contract period. Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 16.

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

The capital element of the Annual Service Payment will be fully covered by Scottish Government Revenue Funding Support payments.

The Annual Service Payment is a fixed sum of £2.105m and this is offset by Direct Support Payment from the Scottish Government of £1.832m leaving a net cost to the Council of £0.273m.

The total value of payments over the remainder of the contract before inflation will be £49.157m and the total value of income from the Scottish Government will be £43.329m leaving a net outstanding undischarged obligation of £5.828m.

The Annual Service Payment is subject to inflation increases less than the Retail Price index but the Scottish Government contribution is fixed and will not increase 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	573	19	1,413	164	2,169
Within 2 to 5 years	2,432	116	5,250	1,000	8,798
Within 6 to 10 years	3,013	69	5,684	2,535	11,301
Within 11 to 15 years	3,991	58	4,559	3,070	11,678
Within 16 to 20 years	5,938	295	2,959	2,914	12,106
Within 20 to 25 years	5,469	426	720	1,773	8,388
ESTIMATED TOTAL	**21,416**	**983**	**20,585**	**11,456**	**54,440**

37. IMPAIRMENT LOSSES

Impairment of Assets

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

	Losses £000	Reversal of Previous Losses £000	Net Loss/(Reversal) £000
Property, Plant & Equipment and Assets Held for Sale	8,069	(1,166)	6,903

38. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2018/19 incurring liabilities of £2.02m (£1.4m in 2017/18). This was in respect of 44 officers (23 officers in 2017/18) from across the Council. The Remuneration Report at page 47 provides further details on exit packages.

39. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

East Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. The next valuation will be as at 31 March 2020 and this will set contribution rates from 1 April 2023.

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

Notes to the Accounts (cont'd)

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme. However, it is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Council is unable to identify its share of the underlying assets and liabilities of the scheme.

The current employer contribution rate of 17.2% has applied from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. In addition £0.33m was paid (2017/18 £0.3m) in respect of added years.

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

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

40. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

Benefits

- From 1 April 2015 the pension salary will be calculated on a career average salary and the accrued rate will be based on 1/49th of this calculation and years of pensionable service.
- For the period 1 April 2009 to 31 March 2015 the LGPS was a defined benefit final salary scheme and the pensions accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80th and a lump sum based on 3/80th of final pensionable salary and years of pensionable service).
- There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for a lump sum up to the limit set by the Finance Act 2004. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

Notes to the Accounts (cont'd)

Governance

- The Strathclyde Pension Fund is operated under the regulatory framework for the LGPS in Scotland and the governance of the scheme is the responsibility of the Strathclyde Pension Fund Committee. This committee is comprised solely of elected members of Glasgow City Council. Employing authorities (including East Renfrewshire Council) are represented at the Strathclyde Pension Fund Representative Forum.

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

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

McCloud

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

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

Quantifying the impact of judgement at this stage is very difficult because it will depend on the compensation awarded, members' future salary increases, length of service and retirement age, and whether (and when) members withdraw from active service. Salary increases in particular can vary significantly from year to year and from member to member depending on factors such as budget restraint, job performance and career progression. The Government Actuary's Department (GAD) has estimated that the impact for the LGPS England & Wales as a whole could be to increase active member liabilities by 3.2%, based

Notes to the Accounts (cont'd)

on a given set of actuarial assumptions. A full description of the data, methodology and assumptions underlying these estimates is given in GAD's paper, dated 10 June 2019.

The Strathclyde Pension Fund's actuary has adjusted GAD's estimate to better reflect the Fund's local assumptions and circumstances, particularly those for salary increases and withdrawal rates. The revised estimate results in around a 1.8% increase in active member liabilities as at 31 March 2019 which results in an increase of approximately £6,677,000 for East Renfrewshire Council and the balance sheet reflects this increase.

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	**2018/19 £000**	**2017/18 £000**
• Current service cost	21,363	18,091
• Past service costs (including curtailments)	7,077	149
• Effect of settlement	-	-
• Contributions in respect of unfunded benefits	(1,273)	(1,246)
Included within Financing and Investment Income and Expenditure		
• Net interest cost	2,445	4,622
Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services	29,612	21,616
Included within Other Comprehensive Income and Expenditure		
• Expected return on scheme assets	(16,351)	(9,901)
• Actuarial (gains) and losses on changes in demographic assumptions	-	(803)
• Actuarial (gains) and losses arising on changes in financial assumptions	49,360	(28,879)
• Other	587	(64,217)
Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement	63,208	(82,184)

Notes to the Accounts (cont'd)

Movement in Reserves Statement

• Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	10,821	9,284
• Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services	(29,612)	(21,616)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(18,791)	(12,332)

Pensions assets and liabilities required in the Balance Sheet

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

	Local Government Pension Scheme	
	2018/19 £000	**2017/18 £000**
Present value of the defined benefit obligation	(669,782)	(586,007)
Fair value of plan assets	534,941	503,553
Net liability arising from defined benefit obligation	**(134,841)**	**(82,454)**

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

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

Notes to the Accounts (cont'd)

Reconciliation of Present Value of the Scheme Liabilities	**Funded liabilities: Local Government Pension Scheme**	
	2018/19 £000	**2017/18 £000**
Opening balance at 1 April	**(586,007)**	**(655,487)**
Effect of Settlement	-	-
Current service cost	(21,363)	(18,091)
Interest cost	(16,060)	(17,137)
Contributions from scheme participants	(3,290)	(2,917)
Remeasurement gains and (losses)		
• Actuarial (gains) and losses on changes in demographic assumptions	-	803
• Actuarial (gains) and losses arising on changes in financial assumptions	(49,360)	28,879
• Other	(587)	64,217
Past service cost	(7,077)	(149)
Benefits paid	13,962	13,875
Closing balance at 31 March	**(669,782)**	**(586,007)**

Notes to the Accounts (cont'd)

Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-19 Quoted Prices in Active Markets	31-Mar-19 Prices not quoted in Active Markets	31-Mar-19 Total	31-Mar-19	31-Mar-18 Quoted Prices in Active Markets	31-Mar-18 Prices not quoted in Active Markets	31-Mar-18 Total	31-Mar-18
	£000	£000	£000	%	£000	£000	£000	%
Equity Securities:								
Consumer	34,257	97	34,354	6	32,247	91	32,338	6
Manufacturing	27,756	84	27,840	5	26,127	79	26,206	5
Energy and Utilities	7,151	-	7,151	1	6,732	-	6,732	1
Financial Institutions	23,061	-	23,061	4	21,708	-	21,708	4
Health and Care	13,544	139	13,683	3	12,750	130	12,880	3
Information Technology	17,630	4	17,634	3	16,595	4	16,599	3
Other	-	-	-	-	-	-	-	-
Debt Securities								
Corporate Bonds (investment grade)	16,784	-	16,784	3	15,800	-	15,800	3
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	63,923	63,923	12	-	60,172	60,172	12
Real Estate:								
UK Property	-	48,434	48,434	9	-	45,592	45,592	9
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	151,930	13,169	165,099	31	143,015	12,397	155,412	31
Bonds	23,394	38,540	61,934	12	22,021	36,279	58,300	12
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	268	-	268	-	252	-	252	-
Infrastructure	-	-	-	-	-	-	-	-
Other	-	686	686	-	-	645	645	-
Derivative								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	11	-	11	-	10	-	10	-
Cash and cash equivalents								
All	27,538	26,540	54,078	10	25,922	24,983	50,905	10
Totals	**343,325**	**191,616**	**534,941**	**100**	**323,180**	**180,373**	**503,553**	**100**

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

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Strathclyde Pension Fund being based on the latest full valuation of the scheme as at 31 March 2017.

The principal assumptions used by the actuary have been:-

Notes to the Accounts (cont'd)

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Change in assumptions at 31 March 2019:	Approximate % increase to Employer Liability	Approximate monetary amount £000
0.5% decrease in Real Discount Rate	10	65,886
0.5% increase in the Salary Increase Rate	2	11,804
0.5% increase in the Pension Increase Rate	8	52,685

Asset and Liability Matching (ALM) Strategy

The main fund (Fund 1) of Strathclyde Pension Fund does not have an asset and liability matching strategy (ALM) as this is used mainly by mature funds. The Fund does match, to the extent possible, the types of assets invested to the liabilities in the defined benefit obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range. The Fund invests in equities, bonds, properties and in cash.

Impact on the Authority's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating

Notes to the Accounts (cont'd)

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

The Fund takes account of national changes to the Local Government Pension Scheme in Scotland such as the move from 1 April 2015 to a new career average revalued earning scheme (CARE) for future accruals.

The total contribution expected to be made by Council to Strathclyde Pension Fund in the year to 31 March 2020 is £10.334 million.

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

41. CONTINGENT LIABILITIES

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. In addition, the potential impact of the guaranteed minimum pension equalisation / indexation has been identified as a potential liability, however, the financial impact is not clear and the timescale for the resolution of this matter may be lengthy. Further contingent liabilities exist in relation to the Council's share of any potential future claims against the former Strathclyde Regional Council.

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

42. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Authority's activities expose it to a variety of financial risks:

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority
- liquidity risk - the possibility that the Authority might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the Local Government (Scotland) Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and Investment Regulations issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

Notes to the Accounts (cont'd)

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations/Standing Orders/Scheme of Delegation;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
    - the Council's overall borrowing;
    - its maximum and minimum exposures to fixed and variable rates;
    - its maximum and minimum exposures to the maturity structure of its debt;
    - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Regulations.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

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

- The Authorised Limit for 2018/19 was set at £240.558m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £221.545m. 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 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:

Notes to the Accounts (cont'd)

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 2019 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

At the end of the financial year expected credit losses were calculated on all amortised assets, on a 12 month basis, with the exception of investments in central government and other local authorities. This amount totalled £2,977 during the year, the authority did not write off any financial assets.

Credit Risk Exposure

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

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

Notes to the Accounts (cont'd)

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

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

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Treasury Management Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities is as follows:

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

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

Market Risk

Interest Rate Risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

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

Notes to the Accounts (cont'd)

- 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	226
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	(357)
Impact on Surplus or Deficit on the Provision of Services	(131)
Share of overall impact debited to the HRA	(38)
Decrease in fair value of fixed rate investment assets	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	17,139

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not invest in equity shares and consequently is not exposed to losses arising from movement in their price.

Foreign Exchange Risk

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

Notes to the Accounts (cont'd)

43. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2014/15 to 2018/19.

Housing Revenue Account Income and Expenditure Statement

The Housing Revenue Account's Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rent and government grants. Authorities charge rents to cover expenditure in accordance with the legislative framework; this may be different from the accounting cost. The increase or decrease in year, on the basis on which rents are raised is shown in the movement on the Housing Revenue Account Statement.

	HRA Notes	2018/19 £000	2017/18 £000
Income			
Dwelling Rents		(10,832)	(10,603)
Non-dwelling Rents		(185)	(167)
Other Income		(841)	(797)
Total Income		**(11,858)**	**(11,567)**
Expenditure			
Repairs and Maintenance		4,490	4,181
Supervision and Management		3,174	2,953
Depreciation and Impairment on Non-Current Assets		8,232	6,096
Movements in the Impairment of Debtors	4	179	43
Other expenditure		203	62
Total Expenditure		**16,278**	**13,335**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		**4,420**	**1,768**
HRA Services' Share of Corporate and Democratic Core		10	14
Net Cost for HRA Services		**4,430**	**1,782**
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
• (Gain) or Loss on Sale of HRA Non-Current Assets		3	380
• Interest Payable and Similar Charges		1,090	1,103
• Interest and Investment Income		(36)	(18)
• Pension Interest Cost and Expected Return on Pension Assets		119	229
• Rental Income – operating lease over Property, Plant and Equipment		(197)	(190)
• Capital Grants and Contributions Receivable		(3,019)	(371)
(Surplus) or Deficit for the Year on HRA Services		**2,390**	**2,915**

Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

	HRA Notes	2018/19 £000	2017/18 £000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		2,390	2,915
Adjustments between Accounting Basis and Funding Basis Under Statute		(2,479)	(3,300)
Net (Increase) or Decrease Before Transfers to or from Reserves		(89)	(385)
(Increase) or Decrease in Year on the HRA		(89)	(385)
Balance on the HRA at the end of the Previous Year		(1,629)	(1,244)
Balance on the HRA at the end of the Current Year		**(1,718)**	**(1,629)**

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

	2018/19 £000	2017/18 £000
Gain or loss on sale of HRA non-current assets	(3)	(380)
Capital expenditure funded by the HRA	300	500
Transfer to/from the Capital Adjustment Account:		
• Depreciation	(8,232)	(6,096)
• Capital Grants and Contributions	3,019	371
• Repayment of Debt	3,009	2,913
HRA share of contributions to or from the Pensions Reserve	(569)	(604)
Transfer to/from the Statutory Compensated Absences Account	(3)	(4)
	(2,479)	**(3,300)**

2. Housing Stock

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

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

Notes to the Housing Revenue Accounts (cont'd)

3. Rent Arrears

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

4. Impairment of Debtors

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

5. Void Rents

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

National Non Domestic Rates

National Non Domestic Rates (NNDR) income is collected by local authorities on behalf of the Scottish Government. The amount of NNDR income distributed to the Council by the Scottish Government is aligned to the amount collected by the Council. The table below details the actual levels of NNDR collected by East Renfrewshire Council, the agreed Provisional Contribution Amount to the national pool and the Distributable amount due to the Council from the national pool.

The Business Rates Incentivisation Scheme (BRIS) is intended to encourage all local authorities to maximise their existing business rates income and also to encourage new businesses to start up. Each local authority that exceeds its calculated local buoyancy target will be able to retain a 50% share of the additional rates income generated, where it can be demonstrated that there is a corresponding increase in rateable value. In accordance with the guidance, the table below describes this element of Non Domestic Rates increase as "income retained by the authority".

	2018/19 £000	2017/18 £000
Gross rates levied and the contributions in lieu	20,647	20,161
Less:		
• Reliefs and other deductions	(6,058)	(5,347)
• Payments of interest	-	-
• Write-offs of uncollectable debts and allowance for impairment	(170)	(309)
Net Non Domestic Rate Income collected	**14,419**	**14,505**
Collection adjustment to meet Provisional Contribution Amount	1,118	582
Contribution to Non Domestic Rate pool	**15,537**	**15,087**
Distribution from Non Domestic Rate pool	14,318	14,427
Adjustments for years prior to the pool	-	-
Non-Domestic Rate income retained by Authority (BRIS)	-	125
Income credited to the Comprehensive Income and Expenditure Statement (as per Note 15)	**14,318**	**14,552**

Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2018/19 was £0.48 (2017/18 £0.466)

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

Council Tax

Local authorities raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local authority area is placed into one of 8 valuation bands (A to H). The local authority determines the annual tax for a band D property and all other properties are charged a proportion of this, with lower valued properties (Bands A to C) paying less, and higher valued property (E to H) paying more. The Council Tax Income Account shows the gross income raised from Council Taxes levied and deductions made under statute. The resultant net income is transferred to the Comprehensive Income and Expenditure Statement.

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

Calculation of the council tax

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest "A" to the highest "H". The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands that are based on pre-determined proportions relative to the band D charge. The band D charge for 2018/19 was £1,194.57 (2017/18: £1,159.78).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 10% are applied to unoccupied properties. Certain persons are disregarded for Council Tax purposes, including people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. East Renfrewshire Council collects total monies and makes a precept payment to Scottish Water on the basis of collection levels based on a pre-determined formula. The figures below exclude the water and sewerage charges.

East Renfrewshire Council

Council Tax (cont'd)

Calculation of the Council Tax Base 2018/19*

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

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

Dwellings fall within a valuation band between A to H which is determined by the Assessor. The Council Tax charge is calculated using the Council Tax Base i.e. Band D equivalents. This value is then increased or decreased depending on the band. Based on the Council Tax base available to East Renfrewshire Council, the band D charge for 2018/19 was £1,194.57.

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

Common Good Fund

The earliest legislation which reflects the existence of the Common Good can be traced back to the Common Good Act 1491. The term common good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these funds but they are not council assets and have not been included in the council's balance sheet. The in year movement relates to the capital accounting entries and is not based on costs incurred or income received.

Movement in Reserves statement for the year ending 31 March 2019

	2018/19 Unusable Reserve £000	2017/18 Unusable Reserve £000
Balance at 1 April	**(1,652)**	**(1,654)**
Deficit / (surplus) on the provision of services	(147)	-
Other comprehensive income and expenditure	(154)	2
Balance at 31 March	**(1,953)**	**(1,652)**

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

	Expenditure £000	2018/19 Income £000	Net £000	Expenditure £000	2017/18 Income £000	Net £000
Net costs of services	70	(217)	(147)	66	(64)	2
(Surplus) or deficit						
(Surplus) / deficit on revaluation of fixed assets			(154)			-
Total Comprehensive Income and Expenditure			**(301)**			**2**

Balance Sheet

	2018/19 £000	2017/18 £000
Property, Plant and Equipment	1,953	1,652
Net Assets	**1,953**	**1,652**
Unusable Reserve:		
Revaluation Reserve	(693)	(552)
Capital Adjustment Account	(1,260)	(1,100)
Net Reserves	**(1,953)**	**(1,652)**

Common Good Fund (cont'd)

PROPERTY, PLANT & EQUIPMENT

Movement on Balances (Common Good)

	Land and Buildings 2018/19 £000	Land and Buildings 2017/18 £000
Cost or Valuation at 1 April	1,718	1,654
Additions	-	64
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	154	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	217	-
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	(113)	-
As at 31 March	**1,976**	**1,718**
Accumulated Depreciation and Impairment at 1 April	(66)	-
Depreciation charge	(70)	(66)
Depreciation written out on revaluation and disposal	113	-
Derecognition – other (transfers)	-	-
As at 31 March	**(23)**	**(66)**
Net Book Value at 31 March 2019	**1,953**	
Net Book Value at 31 March 2018	**1,652**	**1,652**
Net Book Value at 31 March 2017		**1,654**

Group Comprehensive Income & Expenditure Statement

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

Year ended 31 March 2018 (Restated)				Year ended 31 March 2019		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
145,736	(25,613)	120,123	Education	134,192	(11,028)	123,164
108,555	(64,566)	43,989	HSCP – Provision of Services	113,901	(65,951)	47,950
36,515	(7,920)	28,595	Environment	40,634	(8,447)	32,187
21,992	(15,814)	6,178	Corporate & Community – Community Resources	22,218	(15,839)	6,379
346	(185)	161	Chief Executive's Office	373	(115)	258
5,825	(4,865)	960	Other Expenditure	14,006	(4,165)	9,841
3,267	(261)	3,006	Support Services – Chief Executive's Office	3,488	(235)	3,253
12,084	(1,945)	10,139	Support Services – Corp & Comm	11,526	(674)	10,852
971	(1,963)	(992)	Support Services – Environment	2,595	(435)	2,160
			Share of operating results of subsidiaries:-			
8,635	(3,379)	5,256	ERC Leisure Trust	15,431	(9,355)	6,076
66	(64)	2	Common Good	70	(217)	(147)
35	(20)	15	Trust Funds	14	(10)	4
344,027	**(126,595)**	**217,432**	**Net Cost of General Fund Services**	**358,448**	**(116,471)**	**241,977**
13,335	(11,567)	1,768	HRA	16,278	(11,858)	4,420
357,362	**(138,162)**	**219,200**	**Cost of Services**	**374,726**	**(128,329)**	**246,397**
		(561)	Other operating expenditure			(1,818)
		14,461	Financing and investment income and expenditure			12,292
		(233,894)	Taxation and non-specific grant income			(245,766)
		(794)	**(Surplus) / Deficit on Provision of Services**			**11,105**
		(3,796)	Share of operating results of associates			(449)
		(225)	Share of operating results of joint venture			(264)
		(4,815)	**Group (Surplus) / Deficit (Note 1 Group)**			**10,392**
		(45,939)	(Surplus) / Deficit on revaluation of fixed assets			(11,747)
		(102,699)	Actuarial (gains)/losses on pension assets/liabilities			35,336
		(2,895)	Share of other comprehensive expenditure and income of associates and joint venture			598
		(151,533)	**Other Comprehensive (Income) and Expenditure**			**24,187**
		(156,348)	**Total Comprehensive (Income) and Expenditure**			**34,579**

*For details on the restatement of 2017/18 please see note 2 on page 65

Group Movement in Reserves Statement

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

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

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves Restated £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(383,777)**	**(8,307)**	**(9,320)**	**(451,261)**
Movement in reserves during 2018/19											
Total Comprehensive Income and Expenditure	7,861	-	2,390	-	-	-	**10,251**	**22,003**	76	2,249	**34,579**
Adjustments between accounting basis & funding basis under regulations	(10,068)	-	(2,479)	-	-	8,466	**(4,081)**	**4,081**	-	-	**-**
(Increase)/Decrease in 2018/19	**(2,207)**	**-**	**(89)**	**-**	**-**	**8,466**	**6,170**	**26,084**	**76**	**2,249**	**34,579**
Net transfer to or from Reserves	**1,786**	**(2,752)**	**-**	**1,829**	**(16)**	**(847)**	**-**	**-**			
Balance at 31 March 2019 carried forward	**(10,554)**	**(19,049)**	**(1,718)**	**(6,581)**	**(1,950)**	**(3,835)**	**(43,687)**	**(357,693)**	**(8,231)**	**(7,071)**	**(416,682)**

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Housing Revenue Account £000	Repairs & Renewals Fund £000	Insurance Fund £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves Restated £000	Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000	Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2017 carried forward	**(9,754)**	**(11,604)**	**(1,244)**	**(9,514)**	**(1,925)**	**(19,568)**	**(53,609)**	**(228,675)**	**(5,267)**	**(7,362)**	**(294,913)**
Movement in reserves during 2017/18											
Total Comprehensive Income and Expenditure	(4,526)	-	2,915	-	-	-	**(1,611)**	**(149,739)**	(3,040)	(1,958)	**(156,348)**
Adjustments between accounting basis & funding basis under regulations	(2,837)	-	(3,300)	-	-	11,500	**5,363**	**(5,363)**	-	-	**-**
(Increase)/Decrease in 2017/18	**(7,363)**	**-**	**(385)**	**-**	**-**	**11,500**	**3,752**	**(155,102)**	**(3,040)**	**(1,958)**	**(156,348)**
Net transfer to or from Reserves	**6,984**	**(4,693)**	**-**	**1,104**	**(9)**	**(3,386)**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2018 carried forward	**(10,133)**	**(16,297)**	**(1,629)**	**(8,410)**	**(1,934)**	**(11,454)**	**(49,857)**	**(383,777)**	**(8,307)**	**(9,320)**	**(451,261)**

Group Balance Sheet

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

Restated 1 April 2017 £000	Restated 31 March 2018 £000		31 March 2019 £000
589,459	666,579	Property, Plant & Equipment	688,913
234	234	Heritage Assets	234
143	236	Intangible Assets	386
10,262	16,499	Long-term Investments and/or Investments in Associates and Joint Venture	16,860
246	241	Investments	271
600,344	**683,789**	**Long Term Assets**	**706,664**
768	1,037	Assets Held for Sale	1,034
359	344	Short Term Intangible Assets	447
363	458	Inventories	475
13,356	13,684	Short Term Debtors	15,972
5,000	24,000	Short Term Investments	33,997
36,452	35,692	Cash and Cash Equivalents	31,989
56,298	**75,215**	**Current Assets**	**83,914**
(1,764)	(2,617)	Short Term Borrowing	(2,163)
(3,126)	(4,308)	Finance Leases including PFI/PPP	(4,732)
(43,225)	(41,897)	Short Term Creditors	(49,753)
(155)	(130)	Provisions	(152)
(48,270)	**(48,952)**	**Current Liabilities**	**(56,800)**
(152)	(159)	Provisions – long term	(151)
(62,568)	(79,951)	Long Term Borrowing	(87,788)
(341)	(92)	Long Term Creditors	(93)
(988)	(309)	Liabilities in associates and joint venture	(555)
(72,825)	(90,481)	PFI/PPP Finance Lease	(85,748)
(172,791)	(83,161)	Defined Benefit Pension Liability	(138,663)
(3,794)	(4,638)	Capital Grant Receipts in Advance	(4,098)
(313,459)	**(258,791)**	**Long Term Liabilities**	**(317,096)**
294,913	**451,261**	**Net Assets**	**416,682**
(58,876)	(58,164)	Usable Reserves	(51,918)
(236,037)	(393,097)	Unusable Reserves	(364,764)
(294,913)	**(451,261)**	**Total Reserves**	**(416,682)**

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 6 June 2019
The audited accounts, including amendments made following the audit, were authorised for issue on 26 September 2019

Group Cash Flow Statement

The Group Cash Flow Statement shows the changes in cash and cash equivalents of the authority and its Group entities during the reporting period. The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Group are funded by way of taxation and grant income or from the recipients of services provided by the Group. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Group's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Group.

2017/18		2018/19
£000		**£000**
(4,815)	Net Group (surplus) or deficit on the provision of services	10,392
(16,788)	Group adjustments to net surplus or deficit on the provision of services for non-cash movements	(37,370)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(21,603)	Net cash flows from Operating Activities	(26,978)
40,441	Investing Activities	23,729
(18,078)	Financing Activities	6,952
760	Net (increase) or decrease in cash and cash equivalents	3,703
(36,452)	Cash and cash equivalents at the beginning of the reporting period	(35,692)
(35,692)	**Cash and cash equivalents at the end of the reporting period**	**(31,989)**

Notes to the Group Accounts

1. RECONCILIATION OF EAST RENFREWSHIRE COUNCIL'S SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

PURPOSE This statement shows how the (surplus)/deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the Group Accounts.

	2018/19 £000	2017/18 £000
(Surplus)/Deficit on East Renfrewshire Council's provision of services	**10,251**	**(1,611)**
(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:		
Net expenditure/(income) on Trust Funds in year	1	13
Common Good	(147)	2
East Renfrewshire Culture and Leisure Trust	1,000	802
(Surplus)/Deficit in year arising from associates included in the Group Accounts:		
• Strathclyde Partnership for Transport	(524)	(3,897)
• Strathclyde Concessionary Travel Scheme Joint Committee	12	6
• Renfrewshire Valuation Board	63	95
(Surplus)/Deficit in year arising from a joint venture included in the Group Account:		
East Renfrewshire Integration Joint Board	(264)	(225)
GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES	**10,392**	**(4,815)**

Notes to the Group Accounts (cont'd)

2. COMBINING ENTITIES

The following entities have been consolidated into the Group Statements as subsidiaries of the council.

Subsidiaries:-

Common Good and Charitable Trusts

Barrhead Common Good along with the Council's Charitable Trust Funds are administered by East Renfrewshire Council (as sole trustee) and are treated as subsidiaries within Council's Group Accounts, within assets, liabilities, reserves, income and expenses being consolidated line-by-line.

East Renfrewshire Culture and Leisure Trust

East Renfrewshire Culture and Leisure Trust was incorporated on 2 July 2015 as a company limited by guarantee. The company is also a registered charity, with East Renfrewshire Council being the sole member. The Council provides funding to the Trust based on an agreed service plan; however, the limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company will promote, advance and further charitable purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

After accounting for FRS 102 Retirement Benefits, the net liabilities of the company were £3.296m at 31 March 2019. The loss on ordinary activities before and after taxation for the year to 31 March 2019 was £1.00m (2017/18 £0.802m).

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

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

Associates:-

Strathclyde Partnership for Transport

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

Notes to the Group Accounts (cont'd)

The Council contributed £1.53m or 4.27% to the Authority's running costs during 2018/19 and accounted for £14.138m (2017/18 £14.029m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Authority are subject to independent audit and are available from The Treasurer to Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

Strathclyde Concessionary Travel Scheme Joint Committee

Comprises the 12 Councils within the West of Scotland and oversees the operation of the concessionary fares scheme for public transport within its area. The costs of the Scheme are met by a combination of funding from the 12 constituent Councils and by direct grant funding from the Scottish Government. The Strathclyde Passenger Transport Executive administers the Scheme on behalf of the Board.

During 2018/19 the Council contributed £0.171m or 4.17% to the annual running costs and accounted for £0.053m (2017/18 £0.065m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Treasurer to Strathclyde Concessionary Travel Scheme, Strathclyde Partnership for Transport, Consort House, 12 West George Street, Glasgow G2 1HN.

The Renfrewshire Valuation Joint Board

Is an independent public body formed in 1996 at local government reorganisation by an Act of Parliament. The Council has no shares in, nor ownership of the Board. The Board's running costs are met by the three councils of East Renfrewshire, Inverclyde and Renfrewshire. Surpluses or deficits on the Board's operation are shared between the three member councils. The accounts of the Board are subject to audit and are available from the Treasurer of the Renfrewshire Valuation Joint Board, Renfrewshire Council, Council Headquarters, Paisley PA1 1JB.

The Board maintains the electoral, council tax and non-domestic rates registers for the three councils of East Renfrewshire, Inverclyde and Renfrewshire. East Renfrewshire Council contributed £0.458m or 20.6% to the organisation's revenue costs and its share of the year- end net liability of £0.582m (2017/18 £0.348m) is included in the Group Balance Sheet.

Joint Venture:-

East Renfrewshire Integration Joint Board

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

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

Notes to the Group Accounts (cont'd)

the United Kingdom 2018/19 supported by International Financial Reporting Standards (IFRS).

The East Renfrewshire Integration Joint Board receives contributions from its funding partners, namely East Renfrewshire Council and the Greater Glasgow and Clyde Health Board to fund its services. Expenditure is incurred in the form of charges for services provided to the Joint Board by its partners.

During 2018/19 the Council contributed £66m or 43% to the annual running costs and accounted for £2.669m (2017/18 £2.405m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Chief Financial Officer to the East Renfrewshire Integration Joint Board, Eastwood Health and Care Centre, Drumby Crescent, Clarkston, G76 7HN.

3. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Common Good along with the subsidiary, associate and joint venture entities and the trust fund balances on the Group Balance Sheet is to increase both Reserves and net assets by £15.302m, representing the Council's net share of the net assets in these entities.

4. ACCOUNTING POLICIES

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

5. PENSIONS

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

6. GOING CONCERN

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

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

Notes to the Group Accounts (cont'd)

7. TRUST FUNDS

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

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

			Capital Value of Fund	
			31.03.19 £	31.03.18 £
The Principal Funds	Duff Memorial Fund	For the upkeep of Duff Memorial Hall	4,646	4,646
	Janet Hamilton Fund	Assisting the sick requiring nursing or hospital treatment	40,131	40,131
	John Pattison Memorial	Assisting the deserving poor in Barrhead	9,657	9,657
	Hugh & Janet Martin Fund	For charitable and educational purposes	15,574	15,574
	Netherlee School 1937	To advance the education of the pupils of Netherlee Primary	15,000	15,000
	Talented Children & Young People	For talented children and young people in the fields of arts and crafts	555	555
	Other – Charitable		1,500	1,500
	CHARITABLE TOTAL RESERVES		**87,063**	**87,063**
	Annie Tyson Trust Fund	Assisting with special needs training	157,306	157,306
	Other Trust Funds		10,256	10,256
	OTHER TRUST FUND TOTAL RESERVES		**167,562**	**167,562**

Notes to the Group Accounts (cont'd)

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

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

Notes to the Group Accounts (cont'd)

8. NON MATERIAL INTEREST IN JOINT COMMITTEES

The Council has an interest in a number of Joint Committees that have not been consolidated within the group accounts. In aggregate they are considered to be immaterial to the understanding of the accounts.

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £70,157 (2017/18, £69,647) representing 2% (2017/18, 2%) of the organisation's estimated running costs for the year to 31 March 2019.

- The **Glasgow and Clyde Valley Structure Plan** Joint Committee is constituted under a formal agreement of the eight Councils in the Glasgow and Clyde Valley area. Under the Town and Country Planning (Scotland) Act 1997, each member council not only has responsibilities for the local planning matters in their area but also the strategic issues that cover the wider area of Glasgow and Clyde Valley. Accordingly the Committee prepares, monitors and reviews the Structure Plan on behalf of member councils and liaises with central government, Scottish Enterprise and other bodies. During the year, the Council made a contribution of £72,438 (2017/18, £72,438) representing 12.5% (2017/18, 12.5%) of the Committee's estimated running costs for the year to 31 March 2019.

- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and education guidance services. During the year, the Council made a contribution of £16,400 (2017/18, £16,400) representing 4.19% (2017/18 4.19%) of the consortium's estimated running costs for the year to 31 March 2019.

- The **West of Scotland Archaeology Service** was set up in 1997 as a Committee of 11 authorities in the region. It is currently funded by 12 local authorities and by Historic Scotland for specific projects. Its primary purpose is to provide planning related archaeological advice to its members, permitting them to discharge their duties in respect of Scottish Government planning guidance for the treatment of archaeological remains in the planning process. During the year, the Council made a contribution of £7,619 (2017/18, £7,619) representing 5.95% (2017/18 5.95%) of the Committee's estimated running costs for the year to 31 March 2019.

- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSEC). During the year, the Council made a contribution of £1,632 (2017/18 £1,632) representing 3.87% (2017/18 3.87%) of the Forum's estimated running costs for the year to 31 March 2019.

- The **Glasgow and Clyde Valley Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic

Notes to the Group Accounts (cont'd)

Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal Programme aims to deliver a £1.1bn investment programme, including delivery of labour market and innovation programmes. During the year the Council made a contribution of £59,695 (2017/18 £50,753) representing 5.1% (2017/18 5.1%) of the organisation's running costs for the year to March 2019.

- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 32 authorities and the principal activity of the LLP is the provision of information technology solutions to education services. During the year, the Council made a contribution of £78,263 (2017/18 £91,072) representing 2.51% (2017/18 2.51%) of the organisation's running costs for the year to 31 March 2019.

Glossary of Terms

Much of the terminology used in this Report is intended to be self-explanatory. However, the following additional definitions and interpretations of terms used may be helpful.

1. Gross Expenditure
This includes all expenditure attributable to the service / activity including employee costs, expenditure relating to premises and transport, supplies & services, third party payments and capital charges.

2. Gross Income
This includes the charges to individuals and organisations for the direct use of the Council's services.

3. Corporate and Democratic Core
Corporate and Democratic Core costs include the costs of policy making and all other member based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice for Local Authorities stipulates that such costs are to be excluded from the Total Cost relating to the Housing Revenue Account service activity.

4. Capital Charges
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

5. Financing Costs
This includes the annual costs of financing the sums borrowed by the Council covering its capital repayment of loans, interest charges and debt management expenses.

6. Specific Government Grant
This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.

7. Capital Expenditure
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

8. Non Current Assets
These are created by capital expenditure incurred by the Council. This includes buildings and property, vehicles, plant and machinery, roads, computer equipment etc.

9. Revaluation Reserve
The Revaluation Reserve represents the accumulated gains on the revaluation of fixed assets not yet realised through sales. This account cannot be used to support spending.

10. Capital Adjustment Account
The capital adjustment account represents the accumulation of capital resources set aside to meet past expenditure. This account cannot be used to support spending.

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

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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

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