**AGENDA ITEM No. 6**

EAST RENFREWSHIRE COUNCIL

AUDIT AND SCRUTINY COMMITTEE

28 September 2017

Report by Head of Accountancy (Chief Financial Officer)

# 2016/17 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST RENFREWSHIRE COUNCIL

## PURPOSE OF REPORT

1. The Audit of the Council's Annual Accounts for 2016/17 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 2016/17 has been prepared by the External Auditors and a copy of the report will be issued under separate cover for consideration. This makes reference to the International Standard on Auditing (ISA) 260 report to those charged with governance.

## RECOMMENDATION

2. The Committee is invited to: -

- Consider the draft 2016/17 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 2016/17; and
- Remit the report to Council for consideration.

## BACKGROUND

3. The external audit of the Council's Annual Accounts for 2016/17 has now been completed and the Council has been awarded an audit certificate which has no qualifications. A copy of the Accounts is attached as Appendix 1.

## REPORT

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

- An overall surplus for the financial year of £2,437k is recorded in the Accounts. After transfers to earmarked reserves a sum of £655k has been added to the Council's non-earmarked General Fund reserve. This results in a balance of £9,754k as at 31 March 2017 representing 4.2% of the annual budgeted net revenue expenditure which equates to the Council's policy.

- Transfers totalling £8,000k were made from the General Fund balance to the following reserves:-

  - o Capital Reserve £4,100k
  - o Modernisation Fund £2,300k
  - o Repairs and Renewal Fund £1,200k
  - o Equalisation Reserve £400k

- Capital Expenditure of £40,146k was invested.

- An operating deficit of £134k was made on the Housing Revenue Account, this decreasing accumulated surpluses brought forward on that Account to £1,244k. The deficit was calculated after a transfer of £450k to loan charges was made to reduce future financing costs.

**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 2016/17 Audit of the Council, is being prepared and will be issued under separate cover 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 2016/17 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 2016/17;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 2016/17 and the External Auditor's Annual report to the Council and the Controller of Audit for 2016/17.

**KEY WORDS**

Annual Accounts, external audit

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28 September 2017

**Audit and Scrutiny Committee**

# East Renfrewshire Council
# 2016/17 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to 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 are drawing to your attention matters for your consideration before the financial statements are approved and certified. We also present for your consideration our draft annual report on the 2016/17 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.

2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 28 September 2017 (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.

3. 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.

4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.

5. As part of the completion of our audit we seek written assurances from the Proper Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at Appendix B. This should be signed and returned by the Proper Officer with the signed financial statements prior to the independent auditor's opinion being certified.

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# APPENDIX A: PROPOSED Independent Auditor's Report

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

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

## Report on the audit of the financial statements

### Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Renfrewshire Council and its group for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Expenditure and Funding Analysis, Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash-Flow Statements, the council-only Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Council Tax Income Account, and the Non-domestic Rate Account 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 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the council and its group as at 31 March 2017 and of the surplus on the provision of services 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 2016/17 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 of opinion

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

### Responsibilities of the Head of Accountancy for the financial statements

As explained more fully in the Statement of Responsibilities, the Head of Accountancy 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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibilities for the audit of the financial statements**

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the council and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Accountancy and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) 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.

**Other information in the annual accounts**

The Head of Accountancy is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements 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 in accordance with ISAs (UK&I), my responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Report on other requirements

**Opinions on other prescribed matters**

I am required by the Accounts Commission to express an opinion on the following matters.

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

I have nothing to report in respect of these matters.

David McConnell MA CPFA
Assistant Director (Audit Services)
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2017

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# APPENDIX B: Letter of Representation (ISA 580)

David McConnell
Assistant Director (Audit Services)
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

Dear David

**East Renfrewshire Council**
**Annual Accounts 2016/17**

1. This representation letter is provided in connection with your audit of the financial statements of East Renfrewshire Council and its group for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of East Renfrewshire Council, as at 31 March 2017 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Audit and Scrutiny Committee, the following representations given to you in connection with your audit of East Renfrewshire Council for the year ended 31 March 2017.

**General**

3. I acknowledge my responsibility and that of East Renfrewshire Council for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by East Renfrewshire Council have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Annual Report to the financial statements, including the Management Commentary, Governance Statement and Remuneration Report, presents a balanced picture of East Renfrewshire Council and is consistent with the financial statements.
5. 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 other than those identified in the auditor's report to those charged with governance (ISA260).

**Financial Reporting Framework**

6. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and in accordance with the requirements of Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations

2014, and the Local Government in Scotland Act 2003, including all relevant presentation and disclosure requirements.

7. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of the council for the year ended 31 March 2017.

**Accounting Policies & Estimates**

8. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements. The continuing appropriateness of these policies has been reviewed since the introduction of IAS 8 and on a regular basis thereafter, and takes account of the requirements set out in the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom

9. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. There are no changes in estimation techniques which should be disclosed due to their having a material impact on the accounting disclosures.

**Restatement of Prior Year Accounts**

10. Prior year adjustments were made to the accounts to reflect:

11. A property in Barrhead which has been correctly identified as being a common good asset. This has now been removed from the council balance sheet.

12. Further information was available relating to expenditure on Crossmill Business Park which has changed the classification of this asset from asset under construction to operational

**Going Concern**

13. The Proper officer has assessed East Renfrewshire Council's ability to carry on as a going concern, as identified in the Statement of Accounting Policies, and have disclosed, in the financial statements, any material uncertainties that have arisen as a result.

**Related Party Transactions**

14. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom .

**Events Subsequent to the Date of the Balance Sheet**

15. There have been no material events since the date of the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

16. Since the date of the Balance Sheet no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

**Corporate Governance**

17. I acknowledge as Proper Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.

18. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom. I have reviewed the Annual Governance Statement and the disclosures I have made comply with Delivering Good Governance in Local Government Framework (2016). There have been no changes in the corporate governance arrangements or issues identified, since the 31 March 2017, which require disclosure.

**Fraud**

19. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

20. I am satisfied that proper internal controls have been re-established following a fraudulent attempt to change a supplier's bank account details. I am satisfied that no monies have been lost by the council and that all payments made were to correct suppliers during 2016/17.

**Assets**

21. The assets shown in the Balance Sheet at 31 March 2017 were owned by East Renfrewshire Council, other than assets which have been purchased under finance leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

22. The Council recognise the establishment of a Common Good Fund in relation to the Burgh of Barrhead and has fully disclosed all of the relevant Barrhead assets as Common Good in the asset register. The Council's Legal Team has reviewed potential common good titles and confirmed that there are only 12 that should be recognised as common good.

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

24. The value for Eastwood Health Centre has been recorded in the financial statements at depreciated historic cost. I can confirm that the value of Eastwood Health Centre shown in the financial statements is not materially different had Eastwood Health Centre been valued at current value as per the requirement of the 2016/17 the Code of Practice on Local Authority Accounting in the United Kingdom.

**Liabilities**

25. All liabilities have been provided for in the financial records, including the liabilities for all purchases to which title has passed prior to 31 March 2017.

**Carrying Value of Assets and Liabilities**

26. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom

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

**Provisions**

28. Provisions have been made in the financial statements for all material liabilities which have resulted or may be expected to result, by legal action or otherwise, from events which had occurred by 31 March 2017 and of which East Renfrewshire Council could reasonably be expected to be aware. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the present obligation at 31 March 2017.

**Contingent Liabilities**

29. There are no significant contingent liabilities, other than those disclosed in Note 39 to the financial statements, arising either under formal agreements or through informal 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 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom and IAS 37.

**Other matters**

**Group Accounts**

30. In my opinion the group assets, liabilities and revenue transactions within the financial statements are materially complete.

31. The group boundary has been reviewed in accordance with the Code and there are no material entities that have been omitted from consolidation within the financial statements.

32. Any significant issues with the financial statements of group entities, including qualifications, have been advised to audit.

33. In making these assertions I am reliant on the opinions of the external auditors of group entities.

**Integration Joint Boards**

34. East Renfrewshire Health and Social Care Integrated Joint Board has been consolidated within the East Renfrewshire Council's financial statements for 2016/17 in accordance with IAS 27 Consolidated and Separate Financial Statements and the health board accounts manual 2016/17. .

**Pension Fund**

35. The pension fund assumptions made by the actuary in the IAS19 report for East Renfrewshire Council have been reviewed and I confirm that they are consistent with management's own view

Yours sincerely

Margaret McCrossan
Proper Officer

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# East Renfrewshire Council

## 2016/17 DRAFT Annual Audit Report

AUDIT SCOTLAND

**To Members of the East Renfrewshire Council and the Controller of Audit**

28 September 2017

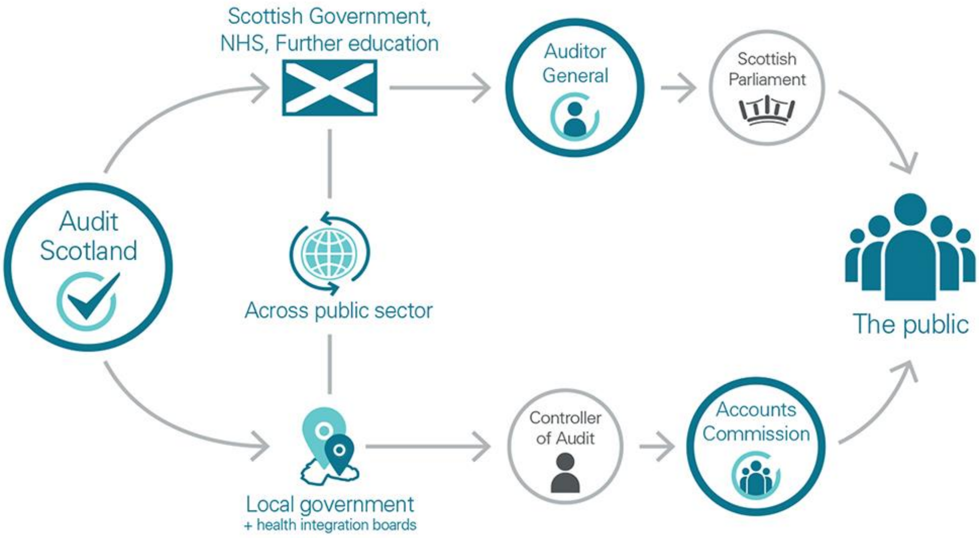
# Who we are

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

## Audit of the 2016/17 annual accounts

1 Our audit opinions were all unqualified. These covered the financial statements, management commentary, remuneration report and the annual governance statement.

2 Unqualified opinions were issued for all the trusts administered by the Council.

## Financial management

3 The Council has sound arrangements for budget monitoring and reporting but with some scope for improving the accuracy of the reporting to members of projected outturns at the year end

4 The Council reported an underspend on the net cost of services of £6.3 million in 2016/17. There is a history of underspends on the revenue budget compared to original forecasts, resulting at times in high levels of unplanned year-end balances.

5 Controls relating to financial systems operated effectively although improvements are required in the area of invoice processing.

## Financial sustainability

6 The council is in a stable financial position with high levels of reserves and low levels of debt

7 A long-term financial strategy was prepared in 2016/17 which sets out the future budget challenges.  The budget for 2017/18 was a one- year budget and preparations are underway for the development of the next three year budget cycle. The savings requirement for the next three year cycle has been identified at £26.3 million.

8 The Council’s financial position is sustainable in the medium term although rising demand, increasing costs of services and pressures on central funding will continue to place a strain on the Council’s capacity to deliver services at the current levels.

## Governance

9 Overall the council has sound governance arrangements in place which include effective internal arrangements.

## Value for money

10 A Best Value Assurance Review of the council was undertaken in 2016/17.  This report is due to be published on 2 November 2017.

# Introduction

**1.** This report is a summary of the findings arising from the 2016/17 audit of East Renfrewshire Council.

**2.** The scope of the audit was set out in our Annual Audit Plan presented to the 2nd March 2017 meeting of the Audit and Scrutiny Committee. This report comprises:

- an audit of the annual report and accounts
- consideration of the four dimensions that frame the wider scope of public sector audit requirements as shown in Exhibit 1.

## Exhibit 1
Audit dimensions


Source: Code of Audit Practice 2016

**3.** The main elements of our audit work in 2016/17 have been:

- an interim audit of the Council's main financial systems and governance arrangements
- audit work covering the Council's arrangements for securing Best Value relating to East Renfrewshire Council (e.g. financial management, financial sustainability and the use of resources)
- an audit of the Council's 2016/17 annual report and accounts including the issue of an independent auditor's report setting out our opinions

**4.** East Renfrewshire Council is responsible for preparing the annual report and accounts that show a true and fair view in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It is also responsible for establishing effective governance arrangements and ensuring financial management is effective.

5. Our responsibilities as independent auditor are established by the Local Government in Scotland Act 1973 and the *Code of Audit Practice 2016* guided by the auditing profession's ethical guidance.

6. As public sector auditors we provide an independent auditor's report on the annual report and accounts. We also review and report on the arrangements within East Renfrewshire Council to manage its performance and use of resources such as money, staff and assets. Additionally, we report on the Council's best value arrangements. In doing this, we aim to support improvement and accountability.

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

8. This report raises matters from the audit of the annual report and accounts, risks or control weaknesses. Communicating these does not absolve management from its responsibility to address the issues we raise, and to maintain adequate systems of control.

9. Our annual audit report contains an action plan at Appendix 1 (page 28). It sets out specific recommendations, responsible officers and dates for implementation.

10. As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 audit fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.

11. 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.

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

# Part 1

## Audit of 2016/17 annual report and accounts

### Main judgements

**Unqualified audit opinions on the Council's annual report and accounts. There are no unadjusted errors arising from our audit work.**

**Unqualified audit opinions on the charitable trusts administered by the Council.**

**We are satisfied that the 2016/17 annual accounts have been correctly prepared on a going concern basis.**

> The Council's annual report and accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of its resources.

### Unqualified audit opinions

**13.** The annual report and accounts for the year ended 31 March 2017 will be approved by the Council and considered by the Audit Committee on 28/09/2017. We reported, within our independent auditor's report:

- an unqualified opinion on the financial statements
- unqualified opinions on the management commentary, remuneration report and annual governance statement.

**14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

### Audit of charitable trusts administered by East Renfrewshire Council

**15.** Due to the interaction of the Local Government in Scotland Act 1973 with the charities legislation, a full and separate audit and auditor's report is required for each registered charity where members of East Renfrewshire Council are sole trustees, irrespective of the size of the charity.

**16.** East Renfrewshire Council administers seven charitable trusts. Unlike last year when there were separate accounts prepared for each individual trust, the results of the trusts were amalgamated into one set of financial statements for the year ended 31 March 2017. This significantly improved the efficiency of the year end accounting and auditing process.

**17.** Our duties as auditors of the charitable trusts administered by East Renfrewshire Council are to:

- express an opinion on whether the charity(s) financial statements properly present the charitable trusts' financial position and are properly prepared in accordance with charities legislation
- read the trustees' annual report and express an opinion as to whether it is consistent with the financial statements

- report on other matters by exception to the trustees and to the Office of the Scottish Charity Regulator.

18. We received the trusts' accounts in line with the agreed timetable and after completing our audit we issued unqualified audit opinions in respect of the 2016/17 financial statements of East Renfrewshire Council Trust Funds.

19., We are reporting an area of improvement to the governance of payments made from the Netherlee Trust. Netherlee Trust made total grant awards of £23K to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant for the purpose it was awarded.

Action plan (appendix 1, point 4)

## Submission of the Council's annual report and accounts for audit

20. We received the unaudited annual report and accounts on 30 June 2017, in line with the audit timetable set out in our 2016/17 Annual Audit Plan. In 2016/17, the Council's group accounts included the financial results of East Renfrewshire Health and Social Care Integration Joint Board, East Renfrewshire Culture and Leisure Trust, common good and trust funds in line with 2015/16.

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

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

## Risk of material misstatement

23. Appendix 2 provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider audit dimension risks, how we addressed these and conclusions.

## Materiality

24. Materiality defines the maximum error that we are prepared to accept and still conclude that that our audit objective has been achieved (i.e. true and fair view). The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.

25. Our initial assessment of materiality for the annual report and accounts was undertaken during the planning phase of the audit and is summarised in Exhibit 2 (page 9). Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.

26. On receipt of the annual report and accounts and following completion of audit testing we reviewed our original materiality calculations and concluded that they remained appropriate.

## Exhibit 2
## Materiality values

| Materiality level | Amount |
|---|---|
| **Overall materiality –** This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017. | £2.8 million |
| **Performance materiality** – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 50% of overall materiality. | £1.4 million |
| **Reporting threshold (i.e. clearly trivial)** – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of overall materiality, rounded up to £30k. | £30,000 |

Source: Audit Scotland Annual Audit Plan 2016/17

### Evaluation of monetary misstatements

27. There was one material adjustment to the unaudited financial statements arising from our audit. This related to an error in the calculation of the discount rate used in the valuation of council houses at 31 March 2017. This had resulted in the year end valuation being overstated by £7.5 million. This has now been corrected.

28. The following monetary errors were identified in the unaudited financial statements which exceeded our reporting threshold:

- the value of Assets held for Sale was overstated by £324k due to the incorrect accounting treatment of council houses held at the year end due to be sold under the "right to buy" legislation
- Expenditure was overstated by £122k due to duplicate payments to suppliers. This was spread across both revenue and capital spend.
- Income was under stated by £29k due to transactions not being posted from a council bank account
- Income was over stated by £38k due to the omission of a year end accrual
- Sundry creditors and housing rents bad debt provision were understated by £40k due to posting errors in year end housing rent arrears balances
- Errors in the posting of a current liability to a current asset of £386k

29. The net effect of correcting the above errors was a reduction in the balance sheet of £7.9 million, mainly due to a reduction in property, plant and equipment.

30. It is our responsibility to request that all errors are corrected although the final decision on this lies with those charged with governance taking into account advice from senior officers and materiality. Management have corrected all errors considered material to the financial statements.

## Presentation Changes

**31.** There were a number of presentational changes arising from our audit of the Group results in the unaudited financial statements. These included :

- The removal of the inter-company transactions between the council and East Renfrewshire Culture and Leisure Trust
- The correction of subsidiary gross income and expenditure and the correction of the presentation of the balances for associates and joint ventures

- In addition a material post audit adjustment was made to the 2016/17 financial statements of the East Renfrewshire Culture and Leisure Trust. This related to the change in actuarial assumptions used to calculate the IAS 19 pension valuation. This related to the change in assumptions relating to future pay rises and resulted in the pension liability at 31 March 2017 changing from a deficit of £302k to a surplus of £1.1 million. This late adjustment was reflected in the council's group accounts.

**32.** The overall affect of all changes noted moved t balance sheet value of Property, plant and equipment and pension liability on the group balance sheet. Reducing the closing balance from £310 million to £304 million.

## East Renfrewshire Charitable Trusts

**33.** There were no monetary errors identified in the financial statements of the charitable trusts and only a small number of minor presentation changes.

## Significant findings

**34.** International Standard on Auditing 260 (UK & Ireland) requires us to communicate to you significant findings from the audit. These are summarised in Exhibit 3 (where a finding has resulted in a recommendation to management, a cross reference to the Action Plan in Appendix 1 has been included).

## Exhibit 3

Significant findings from the audit of East Renfrewshire Council and Charitable Trusts

| Issue | Resolution |
|---|---|
| **East Renfrewshire Council** | |
| **1. Duplicate Payments**<br>A control failure was identified in relation to the identification of potential duplicate payments. A review of potential duplicate payments made in 2016/17 was reviewed by both Internal Audit and finance staff. This review identified duplicate payments made of £122k in 2016/17. These duplicate payments have been adjusted and work is underway to recover overpayments made. | The financial statements have been adjusted for the duplicate payments made in 2016/17 of £122k. Systems have been further developed to review for potential duplicate payments prior to every payment run and further training provided to staff. |
| **2. Supplier Bank Details changes**<br>During the year a fraudulent request was made to | Checks have been completed on all payments made to suppliers whose bank details have been changed. Documentation to support these changes |

| Issue | Resolution |
| --- | --- |
| change a suppliers bank details. The change was then made without procedural checks being performed by the council. Two subsequent payments were however stopped by the bank. Further checks undertaken by internal audit identified that there are a further 20 bank details changes that have been made for which there was not adequate evidence of checks being undertaken by council staff. All payments made to these suppliers have been confirmed by staff as having being received by the supplier. However, work is to be completed on ensuring that the required level of documentation has been received for each change. | is now being collated. |
| **2. Social Housing Valuation**<br>An error was identified in the calculation of the social housing discount factor used in the valuation of some council houses. The correction of this error had effect of reducing the valuation of the housing stock by £7.5m | The financial statements have been adjusted by £7.5 million. |
| **3. Assets Held for Sale**<br>At the year-end, the council held a number of council houses as assets held for sale. These assets had been transferred to assets held for sale at the 2015/16 valuation. However, the Code requires that assets held for sale are held at the lower of valuation or expected sale price. For council houses, the code requires that this is the discounted right to buy price. | An adjustment of £324k was made to the values of the assets held for sale in the financial statements. |
| **4. Surplus assets**<br>The fixed asset register identified a number of assets as being surplus. However, these assets had not been reflected on the Property, Plant and Equipment Note as being surplus, but had been included within operational assets. A review of these assets was undertaken by officers and assets with a value of £3.297m were identified as being surplus. The Property, Plant and Equipment note will also be adjusted for 2015/16 as these assets had been transferred from Investment Properties in the previous year.<br>The Valuer has confirmed that these assets have been valued in accordance with the code requirements for surplus assets at fair value; therefore this will be a presentational only error. | Surplus assets of £3.3 million 2016/17 have been identified and this has been amended in the financial statements.<br>The Property, Plant and Equipment note will also be restated for £4.4 million in 2015/16 to reflect that these assets should have been identified as being surplus when transferred from Investment Property. |
| **5. Valuation of Eastwood Health Centre**<br>ERC have a policy of full revaluation of all land and buildings every year. The new Eastwood Health Centre transferred from assets under construction during 2016/17 with the Health Centre opening to the public in August 2016. No revaluation has been undertaken for this asset and this is currently recorded in the financial statements at cost. | The council is of the view that, given that the property is very new, the value of the health centre is not materially different from the value recorded in the financial statements.<br>Additional assurance on the valuation will be sought from management in a letter of representation<br>The council should ensure that a valuation for this building is obtained in 2017/18.<br>Action plan (appendix 1, point 1) |
| **6. Title Deeds Testing** | Additional evidence has been provided to support the asset the assets being originally in the |

| Issue | Resolution |
|---|---|
| A small sample of title deeds was selected for testing from the Fixed asset register. One of the samples title deeds could not be located by the council. It would appear that this property was a social work site that transferred from Strathclyde Regional Council | ownership of Strathclyde Regional Council.<br>The council should ensure that title for this asset is obtained in 2017/18<br>Action plan (appendix 1, point 2) |
| **East Renfrewshire Council Charitable Trusts** | |
| **7. Payments made by Netherlee Charitable Trust**<br>During 2016/17, the Netherlee Trust made total grant awards of £23K to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant monies. | Trustees will consider the introduction of processes for confirming the proper use of grant awards.<br>Additional assurance on the use of Trust funds will be sought from management in a letter of representation.<br>Action plan (appendix 1, point 5) |

## Going concern

**35.** The financial statements of the Council, its group and the associated charitable trusts have been prepared on the going concern basis.

## Other findings

**36.** Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual report and accounts.

## Objections and Whole of Government Accounts

**37.** 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.

**38.** The Council submitted a consolidation pack for the whole of government accounts audit on 10 July 2017.

# Part 2

## Financial management

### Main judgements

**The council's financial position is stable, with a high level of reserves and a low level of borrowing. The Council reported an underspend of £6.3 million 2016/17. There is a history of underspends on the revenue budget compared to forecasts, resulting at times in high levels of unplanned year-end balances.**

**The council prepares detailed three-year year cyclical budgets and its current three-year budget period ends in 2017/18. Planning for the next three-year period is underway.**

**The Council has appropriate internal controls in place within main financial systems and our testing confirmed that these were operating effectively apart from two significant internal control weaknesses relating to invoice processing and payment systems.**

### Financial performance in 2016/17

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

**39.** In March 2016 the Council approved a budget of £222million for 2016/17.

**40.** The Council has a long history in delivering services within budget. An underspend of £6.3 million was reported on the provision of services in 2016/17, representing 2% of actual gross expenditure for the year. This is against an original forecast of a year end break-even position.

**41.** All services within the council have in general reported budget underspends during 2016/17. The major reasons supplied for the underspends are noted as:

- the early achievement of efficiencies
- vacancy management, particularly within Education Services where lower levels of sickness absence has reduced the need for temporary staff cover. In addition, there has been a shortage in the availability of supply teaching staff
- reduced borrowing costs
- the over-recovery of income

**42.** There are a number of services that have over several years consistently underspent against original budgets. As shown in Exhibit 4, this has resulted in high levels of unplanned year end balances. The Accounts Commission has reported on the importance of councils' budgets and forecasts reflecting actual spending levels and patterns. With the council having a history of underspends, budgets should be revised/re-based to more accurately reflect patterns of spending.

Action plan (appendix 1, point 2)

**43.** At the budget strategy group meeting in June 2017, a report was presented on actions the council was planning to address these underspends. These actions include reviewing contingency budgets and moving centralised budgets into departments to better reflect spend.

## Exhibit 4
### Transfers to reserves compared with budgeted transfers

| Year | Actual £ million | Planned £ million | Variance £ million |
|---|---|---|---|
| 2012/13 | 9.1 | 0.7 | 8.4 |
| 2013/14 | 5.3 | 0.5 | 4.8 |
| 2014/15 | 4.4 | 0.1 | 4.3 |
| 2015/16 | 8.8 | 1.0 | 7.8 |
| 2016/17 | 5.3 | 0.0 | 5.3 |

Source: Audited Financial Statements, East Renfrewshire Council

## Housing Revenue Account

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

**45.** Overall expenditure and income were in line with budget and there was an overspend in 2016/17 of £134k. The main reason for this overspend was additional costs incurred to reduce future interest charges by repaying debt early. This overspend was met from a planned transfer from the HRA reserve balance.

## Financial savings

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

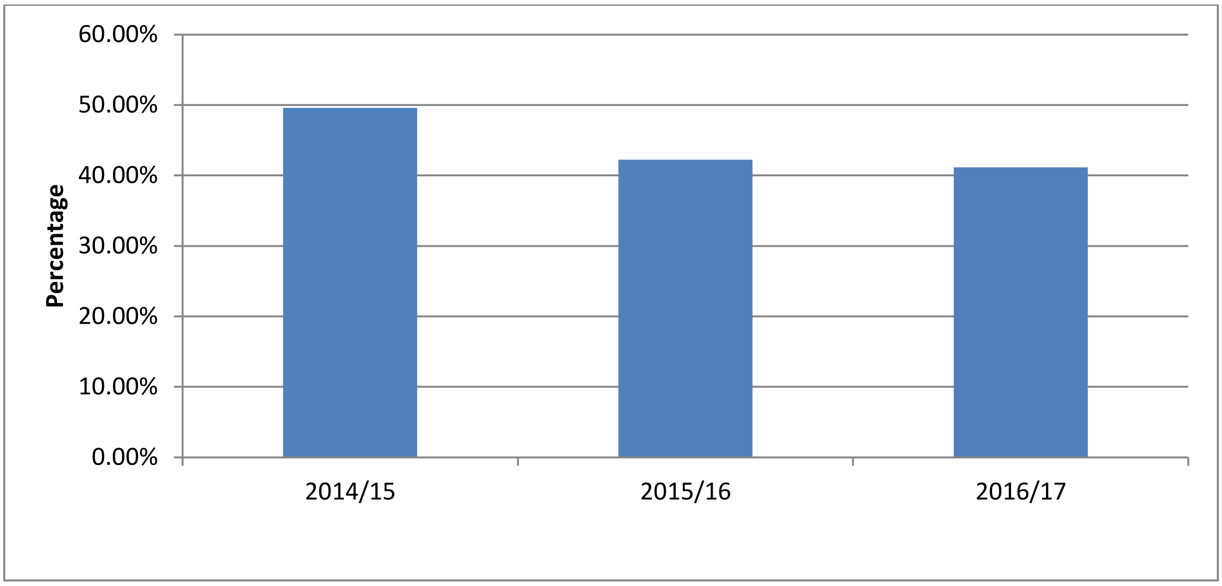
**47.** The approved budget for 2016/17 reported that the council required to make savings of £7.5 million. The council undertook public consultation on these savings in November 2014. 2016/17 is year 2 of the 2015/16-2017/18 3-year budget programme

## Borrowing in 2016/17

**48.** The Council's outstanding loans at 31st March 2017 were £64.3 million, an increase of £2.9 million on the previous year. £2.1 million of loan principal repayments were made and there were £5.0 m of new loans taken out during 2016/17. The council has relatively low levels of loan debt and has one of the lowest debt levels amongst other Scottish Local Authorities . However, the council has a number of PFI/PPP contracts that are also considered as part of indebtedness which is summarised in Exhibit 5. These contracts commit the council to fund the future revenue requirement for the duration of the contract (25-30 years).

## Exhibit 5

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




Source: East Renfrewshire Council Financial Statements

## Lender Option Borrower Option loans

**49.** During the year Audit Scotland received correspondence on a number of council's using Lender Option Borrower Option (LOBO) loans. A LOBO loan is typically a long term loan where the interest rate is initially fixed but the lender has the option to propose or impose on pre-determined future dates, a new fixed interest rate. The borrower has the option to either pay the revised interest rate or to repay the loan.

**50.** East Renfrewshire Council has three separate LOBO loans with a total value of £14.4 million. This represents 22% of its total market debt portfolio of £64.3 million at 31 March 2017.

**51.** We have considered certain aspects of the council's LOBO loans and based on our review of supporting papers, including an analysis of the LOBOs and comparable PWLB rates of interest and the council's treasury management policies we can conclude that:

- the use of LOBOs has been undertaken in line with the council's treasury management policy, which has been reviewed and approved annually by councillors

- the interest rates on the LOBOs were lower than the comparable PWLB rates available at the time, and the council's interest costs to date on these loans have been less than the PWLB equivalent

- the option to propose or impose a new fixed interest rate has never been exercised by the lenders

- the potential for debt restructuring is kept under regular review by the Council as part of its treasury management arrangements.

**52.** There are no further issues we wish to raise in this report.

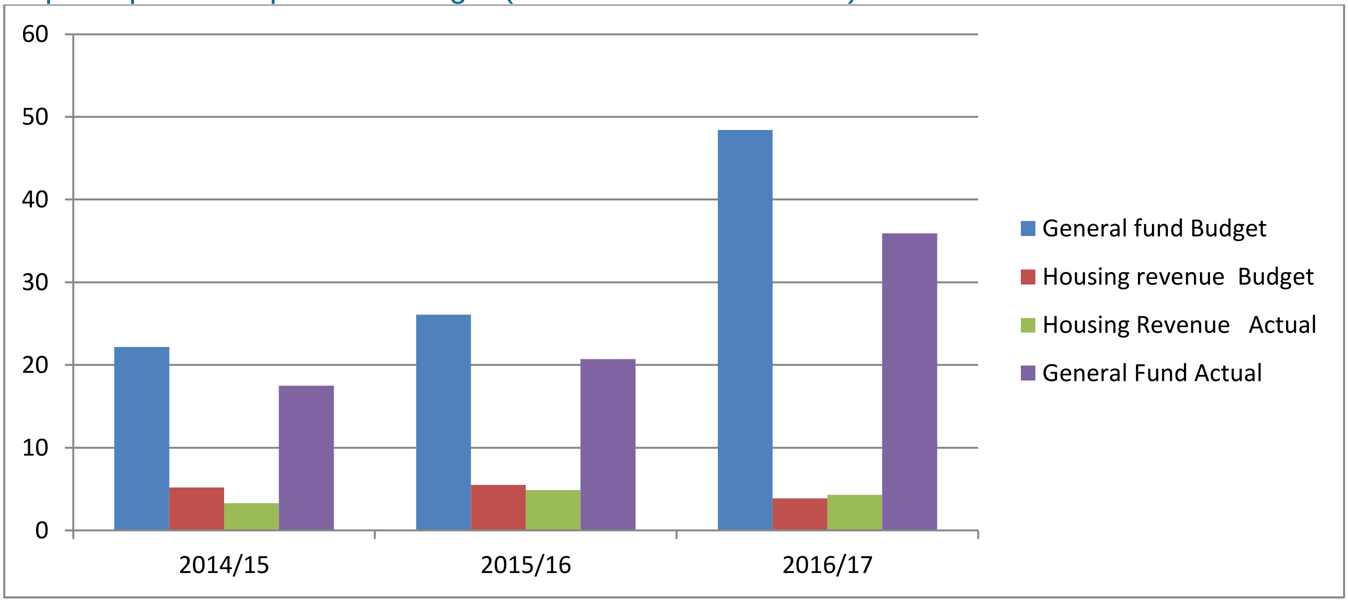
## Capital programme 2016/17

**53.** Total capital expenditure in 2016/17 was £40.2 million. Of the total capital budget, £36.0 million related to general services and £4.2 million to the housing revenue account.

**54.** Capital spend was £12.2 million below budget. The Council has a history of slippage in its capital programme as outlined in Exhibit 6. The HRA budget increased during the year due to additional monies received and transfers from reserves to fund additional "rented off the shelf dwellings".

## Exhibit 6

Capital spend compared to budget (General Fund and HRA)




Source: East Renfrewshire Council

**55.** The main reasons for reduced capital spending on the General Fund included:

- Protracted negotiations on City Deal projects with third parties such as Scottish Water and Transport Scotland

- Delays in the planned acquisition of land and property and delays in the adaptation of office accommodation as part of the Agile working initiative

- More involved procurement processes and the deferment of capital works until 2017/18 in order to minimise disruption to services

- Within the Schools capital programme, agreed changes to contractors' workplans. While there was a reduction to the planned level of spend in 2016/17, on the Barrhead High School New Build project, there were no delays in the construction programme and the new school opened on its target date.

- The housing programme had a small slippage of £26k. However, within this is additional spend of rent off the shelf properties. There was underspend on £1 million on external works programme. The most significant delays within this project relate to delays in procurement and tendering.

## Budgetary monitoring and control

**56.** The *Local Government in Scotland: Financial overview 2015/16* (November 2016) highlighted that the need for budgets and forecasts to reflect actual spending becomes increasingly important for Councils with decreasing (or low levels) of usable reserves to rely on.

**57.** Within the Council, the detailed scrutiny of financial performance is delegated to the Cabinet which receives five revenue and quarterly capital budget monitoring reports. Budget monitoring reports are also put to the Full Council for noting. From our review of these reports and attendance at committees we concluded that they provided good narrative explanations for significant variances against budget and provide an overall picture of the budget position at service level.

**58.** The budget monitoring reports also forecast projected out-turn positions for the year. However, there is a history of significant differences between the final out-turn reported to members in April and the actual outturn reported in the financial statements. Exhibit 7 outlines the level of these differences over the last five years. By not providing timely and accurate information on projected budget underspends, members will be less able to effectively scrutinise performance against budgets.

Action plan (appendix 1, point 2)

**59.** The council has recognised this and, in the Budget Strategy Group meeting in June 2017, it was agreed that projections be improved to better inform members.

## Exhibit 7

Analysis of estimated revenue budget outturns reported to members v actual outturns

| | Actual Out-turn (reserves transfers & unallocated general fund balance) | Budget Report |
|---|---|---|
| 2016/17 | £8.6 million | £4.9 million |
| 2015/16 | £10.6 million | £4.9 million |
| 2014/15 | £4.7 million | £1.3 million |
| 2013/14 | £5.3 million | £2.7 million |
| 2012/12 | £8.5 million | £6.2 million |

Source: East Renfrewshire Council financial statements and East Renfrewshire Council Outturn reports

## Capacity within the Council

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

61. The council is going through a period of significant change and is in the process of advancing its vision and its extensive transformation programme. The unprecedented pace and extent of planned changes are likely to place significant pressures on the capacity of staff.

62. With the recent Council elections there have been a number of new members elected. It is important that they receive adequate training on how the Council works and how it is financed if they are to exercise their scrutiny responsibilities effectively. We reviewed the induction training and materials provided to new members and concluded that it was fit for purpose.

## Internal controls

63. As part of our audit we identify and inspect the key internal controls in those accounting systems which we regard as significant for the production of 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.

64. Our findings were included in our interim audit report that was presented to the Audit and Scrutiny Committee on 17/08/2017. We concluded that the key controls were operating effectively apart from two significant control weaknesses in the following areas:

- The council were subject to a fraudulent request to change a supplier's' bank account details. This request was made at the time when the council wrote to all suppliers to request invoices be sent to the creditors team and to update suppliers' bank details. This change was made by the council with no checks undertaken by officers, against Council procedures. Two subsequent payments totalling £2.3 m were made to the fraudulent bank account. Procedures employed by the council's bank stopped these payments and all the monies were refunded to the council.

- Checks on potential duplicate payments to suppliers were not being adequately carried out. The council’s internal auditors have completed a full review of potential duplicate payments in 2015/16 and 2016/17. This highlighted total overpayments of £122k in 2016/17. Corrective action has been taken by the council and we are satisfied that the impact on the financial statements has been corrected.

65. The control weaknesses identified in our interim audit report have been adequately reported in the Annual Governance Statement.

## Prevention and detection of fraud

66. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. We reviewed the Council's arrangements including policies and codes of conduct for staff and elected members, whistleblowing, fraud prevention and fraud response plan.

67. Based on the evidence reviewed by us, we concluded that the Council has adequate arrangements in place for the prevention and detection of fraud.

## National Fraud Initiative

68. The National Fraud Initiative (NFI) in Scotland is a counter-fraud exercise co-ordinated 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 error.

69. The latest position on NFI investigations by the Council is summarised in Exhibit 8.

## Exhibit 8

National Fraud Initiative

**Total number of matches**

**3293**

**Number recommended for investigation**

**531**

**Completed/closed investigations**

**1170**

Source: NFI website

**70.** Our overall conclusion on the current NFI exercise is that the NFI contact in the council demonstrated an adequate oversight of the process and a good awareness of progress to-date. However, the self-appraisal checklist has not been fully completed and the reporting arrangements on the results of investigation of matches are not yet clear. As such, senior management and members may be unaware of the progress made and actions being carried out. An update report on NFI is planned for the Audit and Scrutiny Committee in November 2017.

# Part 3
## Financial sustainability

### Main judgements

**The council's financial position is stable and well resourced, with a high level of reserves and a low level of borrowing.**

**The council faces unprecedented financial challenges, forecasting a need to save £26.3 million from its revenue budget in the next three years Savings options are currently being finalised with members of the Budget Strategy Group**

**The Council produced a long-term financial strategy for the first time in 2016/17**

### Financial planning

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

**71.** It is important that long-term financial strategies are in place which link spending to the Council's strategies. In December 2016, East Renfrewshire Council presented its first long term financial strategy to Full Council. As financial year 2017/18 represented the final year in the council's 3 year cyclical budget, councillors only approved a single year budget in 2017/18. It is recommended good practice that this single year budget should be supported by indicative future spending plans covering at least a three year period and that forecast the impact of relevant pressures on the Council. Other than the high level figures included in the financial strategy, detailed indicative spending plans were not available at the time of approving the 2017/18 budget.

Action plan (appendix 1, point 3)

**72.** Good practice, as set out in our *Scotland's public finances – a follow-up audit: Progress in meeting the challenges* (June 2014) recommends that public bodies should include scenario planning as part of their financial strategy. The Accounts Commission recommended that when future Scottish Government funding is not known, councils should plan for a range of scenarios so they are prepared for different levels of funding.

**73.** The council has taken the positive step of using scenario planning and producing a range of funding scenarios which ranged between future reductions in funding of between 2% and 5%. Additional information has been produced outlining for members the various economic and demographic challenges that the council may face over the period of its financial strategy.

### Funding position

**74.** The Council approved its 2017/18 budget in February 2017. The budget was set at £230.5 million with a funding gap of £7.2 million. Plans to address this gap included £7 million of savings. £1.5 million from increases to council tax and a transfer of £2.8 million were also approved permitting a one-off investment in services of £4.1 million.

**75.** The Council's financial projections for 2018/19 to 2020/21 identify the need to make total savings of £26.3 million. The Council has identified a suite of savings options which include efficiency savings, service reviews and redesigns and reductions in services. The savings requirement for the next 3 year budget period represent a substantial increase (27%) from the £20.7 million savings achieved in the previous 3 years.

## Savings options

**76.** East Renfrewshire Council has identified that it needs to make savings of £7 million in 2017/18. The Council expects the programme of service reviews and redesigns included in its business transformation programme (Modern Ambitious Programme or MAP) to make a significant contribution to future savings plans whilst protecting or improving outcomes for citizens. The council is budgeting to secure £3.9 million of savings from efficiencies in 2017/18 and an additional £9 million of savings from MAP across 2018/19 to 2020/21

**77.** The council's Budget Strategy Group is currently finalising savings options for 2018/19 to 2020/21 to address the £26.3 million of savings that will be required over this period. The Budget Strategy Group consists of members of the administration and officers. It is expected that these plans will be approved in late September and a public consultation exercise is planned for October 2017.

## Reserves

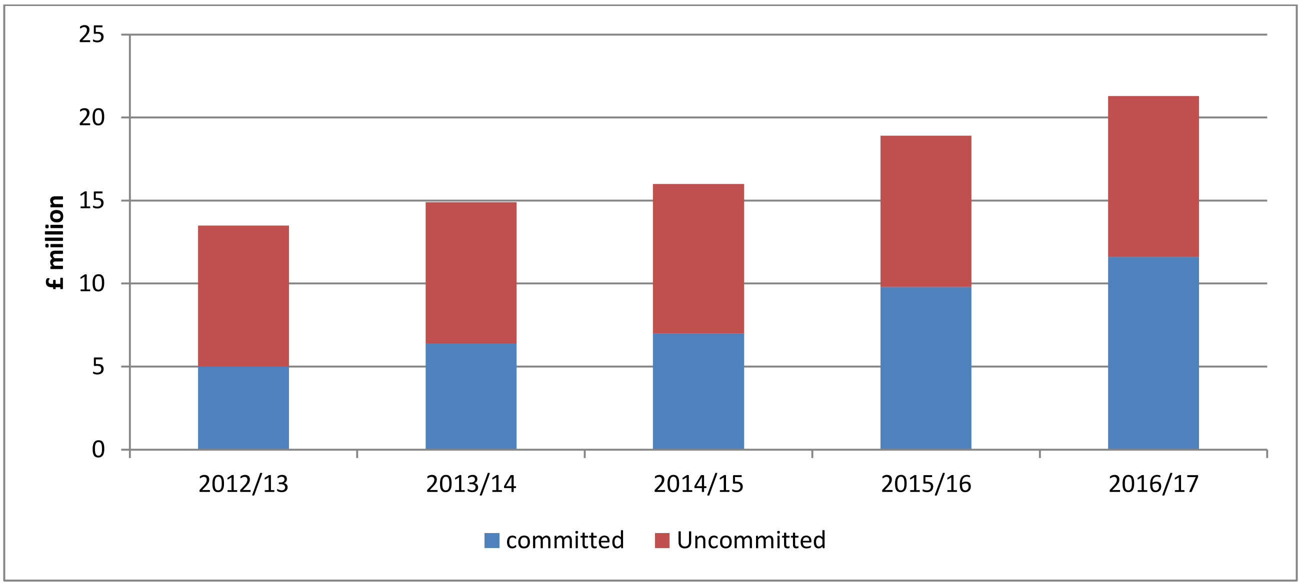
**78.** One of the key measures of the financial health of a local authority is the level of reserves held. The level of usable reserves held by the Council decreased from £61.6 million in 2015/16 to £53.6 million in 2016/17 as illustrated in Exhibit 9.

**79.** The general fund reserve is the largest of the usable reserves. This reserve has no statutory restrictions on its use. Its main purpose is to provide a contingency fund to meet unexpected expenditure and as a working balance to help cushion the impact of uneven cash flows. Within the general fund balance, there can also be committed funds. These are funds that the council has earmarked for a particular use. The largest of these earmarked funds within East Renfrewshire council is the Modernisation Fund.

**80.** The Council reviews the level of its uncommitted reserves when setting the budget each year. The Council's approved reserves strategy specifies that uncommitted reserves should be at least 4% of budgeted net revenue. The level of uncommitted general fund reserves at 31 March 2017 was £9.7 million. At 4.2% of budgeted net revenue this was, overall, in line with the council's agreed strategy.

**81.** Exhibit 8 provides an analysis of the general fund reserve over the last five years split between committed and uncommitted reserves. This shows that the council has been able to increase committed general reserves over the period and that uncommitted levels have remained constant and within the 4% reserve strategy.

## Exhibit 8
Analysis of general fund over last five years




Source: East Renfrewshire Council financial statements

**82.** Overall the level of usable reserves has reduced by £8.0 million in 2016/17, with the largest reduction being in the balance held on the Capital Reserve. This was a budgeted use of the capital reserve aimed at mitigating the use of borrowing to finance the increased capital programme. Exhibit 9 summarises the reserves movement in year.

## Exhibit 9
**Reserves movement in year**

| Description | 31 March 2016 £ million | 31 March 2017 £ million |
|---|---|---|
| General Fund | 18.9 | 21.4 |
| Housing Revenue Reserve | 1.4 | 1.2 |
| Repairs & Renewals Fund | 10.5 | 9.5 |
| Insurance Fund | 1.9 | 1.9 |
| Capital reserve | 28.9 | 19.6 |
| Total Usable Reserves | 61.6 | 53.6 |

Source: East Renfrewshire Council Financial Statements

# Part 4

## Governance and transparency

### Main Judgements

**Overall the council has sound governance arrangements in place**

**The Annual Governance Statement and Management Commentary are fair and balanced and are consistent with the financial statements**

**We were able to place reliance on the work of Internal Audit in a number of areas.**

### Governance arrangements

**83.** Overall the council has sound governance arrangements in place. The Council's arrangements for governance and transparency formed part of our Best Value review undertaken in East Renfrewshire Council in 2016/17. The report is due to be published in November 2017, and therefore these points are largely not replicated here.

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

### Management commentary, annual governance statement and remuneration report

**84.** The Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 requires councils to prepare and publish, along with their financial statements, an annual governance statement, management commentary and a remuneration report that are consistent with the disclosures made in the financial statements. The management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

**85.** Based on our knowledge and work performed, we concluded that the management commentary, annual governance statement and remuneration report are consistent with the financial statements.

### Internal audit

**86.** Internal audit provides senior management and elected members with independent assurance on the Council's overall risk management, internal control and corporate governance processes.

**87.** The internal audit function is carried out by East Renfrewshire Council Internal Audit section. We carried out a review of the adequacy of the internal audit function and concluded that it has sound documentation standards and reporting procedures in place and that it complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

**88.** To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we placed formal reliance on internal audit's work in the following areas: debtors, rent accounting, payroll, finance ledger and creditor payments. Also, we considered internal audit report findings as part of our wider dimension work.

## ICT

**89.** We identified in our 2016/17 Annual Audit Plan the council's arrangements for disaster recovery and business continuity as potential areas of risk. The council's data backup processes were all held within the council area and there was a plan to outsource these arrangements to a third party data centre. This data centre became operational in August 2017 with phase 1 relating to council wide network systems now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation.

**90.** The council is continuing its review of business continuity plans, with departmental plans due to be completed by October 2017 and the corporate council plan completed thereafter. There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services.

Action plan (appendix 1, point 5)

**91.** We also raised as a potential risk in our 2016/17 Annual Audit Plan, the fact that the council's Information Security Policy was out of date and had not been revised since October 2014. A revised version has now been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff.

Action plan (appendix 1, point 6)

## Integration of health and social care

**92.** Legislation to implement health and social care integration was passed by the Scottish Parliament in February 2014. This brings together NHS and local council care services under one partnership arrangement for each area.

**93.** Integration will mean a 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.

**94.** The East Renfrewshire Health and Social Care Integration Joint Board (IJB) is provided in partnership with NHSGGC and became fully operational on 15 October 2015. East Renfrewshire had a long-standing, integrated approach to delivering health and social care services, beginning with the formation of the Community Health and Care Partnership (CHCP) in 2006 . An IJB governance framework has been established and good progress has been made to embed these arrangements.

**95.** The financial transactions of the East Renfrewshire Health and Social Care IJB have been consolidated into the Council's group accounts. The Council's contribution to the IJB for 2016/17 was £47 m.

**96.** The East Renfrewshire Health and Social Care Strategic Plan 2015-18 sets out the IJB's strategic priorities. An early success has been the construction of the Eastwood Health and Care Centre which opened in August 2016. This joint health and council funded building allows for joint-working amongst health and social care staff.[1] The membership and governance of the IJB provide sufficiently for scrutiny of decisions by councillors.

97. Audit Scotland, as part of a series of reports, will be reporting on integration authorities' progress after the first year of the establishment of IJBs. This is not due until spring 2018 by which time auditors will be in a better position to assess progress once the work on this report has been completed

## Local scrutiny plan

98. The 2017/18 Local Scrutiny Plan (LSP) prepared by the Local Area Network (LAN) of scrutiny partners for the Council was submitted to East Renfrewshire Council in May 2017. It was also reported to Cabinet on 22 June 2017. The LAN did not identify any new scrutiny risks in the year which would require specific scrutiny work during 2017/18. The Council will be subject to a range of nationally driven scrutiny activity as set out in the LSP.

## Equalities

99. The Equality Act 2010 introduced a public sector general duty that encourages public bodies to mainstream equality, that is, ensure it is part of their core work. The Act requires that by no later than 30 April 2015 and every two years thereafter, public bodies must publish a report on the progress made to achieve the quality of outcomes it has set.

100. We reviewed the current 2017-2021 equalities report and concluded the Council has met its statutory duty to:

- publish information on progress made in mainstreaming equality within the Council
- report on progress made towards achieving equality outcomes published in 2013
- publish annual employee information and details of the progress made in gathering and using information to better meet the duty
- publish updated gender pay gap information.

101. We concluded, on the basis of evidence reviewed, that the Council is proactive in ensuring that equality is mainstreamed.

# Part 5

## Value for money

### Main judgements

**The Best Value audit undertaken during 2016/17 will be published on 2nd November 2017.**

### Best Value

**102.** The Accounts Commission agreed the overall framework for a new approach to auditing Best Value in June 2016. Best Value will be assessed over the five year audit appointment, as part of the annual audit work. In addition a Best Value Assurance Report (BVAR) for each council will be considered by the Accounts Commission at least once in this five year period. The Best Value review of East Renfrewshire Council was undertaken in the current year and the BVAR report will be discussed by the Accounts Commission on 14 October 2017.

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

**103.** In considering value for money, our annual audit report would normally provide comment on the council's arrangements for :

- performance management
- following the public pound
- procurement
- community engagement
- shared services

These areas were considered as part of our Best Value audit and will be included in our Best Value audit report. As such they are not replicated here .

### Statutory performance indicators (SPIs)

**104.** 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.

**105.** For 2016/17 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

**106.** Overall we concluded that the Council's arrangements for publication are Satisfactory.

## National performance audit reports

**107.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, a number of reports were issued which are of direct interest to the Council. These are outlined in Appendix 4.

**108.** In line with good practice, arrangements are in place for the council to consider national reports. These are presented to the Audit and Scrutiny Committee and members are made aware of key issues. The council does not routinely report the council's position in respect of the key issues reported. Action taken in response to reports is dependant on the nature of the national report and the service to which it relates.

## Good practice points

**109.** The council reports its performance against the Local Government Benchmarking Framework (LGBF). The council's style of reporting against LGBF indicators is clear and helps councillors to make informed judgements on the performance of services. Indicators are grouped under the council's strategic outcomes and there are detailed references to on going trends and family groups. The most notable point was the reference to council strategy to explain trends and the data. The overall result was a very insightful and informative report.

# Appendix 1

## Action plan 2016/17

### 2016/17 recommendations for improvement

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|---|
| 11 | **1. Eastwood Health Centre Valuation**<br>The council has a policy of revaluing all land and buildings each year. However, the new Eastwood Health Centre which opened in August 2016 has not been revalued in 2016/17. Additional assurances have been requested to audit that the valuation of the building will not differ materially from the value contained in the financial statements, which is the cost to the council of the build.<br>**There is a risk that the asset values recorded in the financial statement are incorrect.** | East Renfrewshire Council should ensure that a valuation is undertaken on this property during 2017/18 | A valuation on this property will be undertaken during 2017/18<br>Margaret McCrossan<br>Head of Accountancy<br>31 March 2018 |
| 14 | **2. Budget Underspends & reporting**<br>The council has a history of underspend against budget. Given the budget pressures that services are under, there is a need for budgets to be revised/re-based to reflect actual patterns of expenditure to ensure spending is accurately forecast and effectively monitored during the year. Additionally, information on high year end underspends is not communicated to members timeously to allow for corrective or different actions to be taken.<br>**There is a risk that the budgets are not accurate and that budget reports to members do not allow time** | East Renfrewshire council should review the budget setting to ensure that the budgets reflect actual demand. The council should also ensure that the budget reports provided to members are accurate and timeous to ensure that members can fulfil their role of scrutinising of the budget and can take corrective or additional action regarding these budgets. | The Council's budget process has already been reviewed with significant 2016/17 underspends scrutinised and budgets adjusted accordingly for future years. Centrally held budgets have also been transferred to services where ever possible during 2017/18 to improve monitoring and forecasting.<br>Margaret McCrossan<br>Head of Accountancy<br>8 February 2018 |

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|---|
| | **for corrective action to be made.** | | |
| 19 | **3. Financial Pressures**<br>The council are currently preparing savings plans to address the £26.3 million savings requirement for the 3 year period 2018/19-2020/21. The last three year budget cycle reported savings of £20.7 million. At time of approving 2017/18 budgets, detailed indicative budgets for future years were not available for members to help inform decisions.<br>**There is a risk that the Council is unable to deliver the same level of savings that it has achieved in recent years without significant impact on service provision and that indicative budgets are not available to members to help inform their difficult budget decisions.** | East Renfrewshire council should ensure that medium term financial plans are prepared and available to members to allow the impact of decisions made to be fully understood. | The council is currently progressing it's medium term financial plan for 2018/21 and will consider an updated longer term financial plan prior to agreeing the budget for 2018/19 and indicative budgets for 2019/21 in February 2018.<br>Margaret McCrossan<br>Head of Accountancy<br>8 February 2018 |
| 12 | **4. Governance arrangements around the Netherlee Charitable Trusts**<br>During 2016/17, the Netherlee Trust made total grant awards of £23k to 5 former pupils to advance their musical talents. These cheques were made payable to the individuals and there is currently no requirement for grant recipients to confirm the subsequent use of the grant monies.<br>**There is a risk that grant awards are not used for intended purpose and do not comply with the purposes of the Trust.** | Trustees should consider the introduction of processes by which the proper use of grant awards can be confirmed. | The council will write to the Trustees of Netherlee Trust asking them to consider introducing a process to confirm the proper use of grants awarded.<br>Margaret McCrossan<br>Head of Accountancy<br>31 December 2017 |
| 35 | **5. Disaster Recovery/business continuity arrangements** | East Renfrewshire council should ensure that the business continuity arrangements are current | Phase 1 provides basic network services. Phase 2 requires the support of the major business application |

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|---|
| | The data centre became operational in August 2017 with phase 1 now being completed. Plans are now underway to move to phase 2 which is the all the individual systems and applications that the council has in operation, The council is continuing its review of business continuity plans and.<br><br>**There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services** | and that disaster recovery arrangements are tested. | vendors to ensure resilience is achievable across multiple data centres. For many of the older systems this will be challenging. Due to this ICT will use the Fitness for Purpose Assessment process and any subsequent procurements to ensure the major business applications will provide resilience across multiple data centres. This measured approach will ensure procurement and deployment decisions are based on appropriate criteria rather than solely from a resilience perspective. This balanced approach ensures best value across the board.<br><br>In the intervening period, ICT will continue to test and enhance disaster recovery plans as they currently stand for major business applications. Where applications will support multiple data centres ICT will programme a deployment schedule to implement this capability.<br><br>Murray Husband<br><br>Head of ICT and Digital Enablement<br><br>31st March 2019 |
| 35 | **6. Information Security Policy**<br><br>The current version of the council's information security policy has not been updated since October 2014. A revised version has been prepared and this has been subject to review by external consultants. Due to the recruitment of an Information Security Officer, this has not yet been issued to staff.<br><br>**There is a risk that council processes and procedures will not keep pace with any potential, new or emerging threats while there is an out of date security policy** | East Renfrewshire council should ensure that the revised policy is issued promptly and ensures that practices within the council reflect the latest guidance. | The existing policies have been refreshed by the interim Information Security Officer and further assured by external advisors. Publication has been held pending the expected appointment of a permanent Information Security and Digital Risk Officer (ISDRO), which has an expected commencement date of early November 2017. The new ISDRO will be given the opportunity to review before publication.<br><br>Should the appointment be delayed or unsuccessful, then publication will be carried out without further review. |

| Page no. | Issue/risk | Recommendation | Agreed management action/timing |
| --- | --- | --- | --- |
| | | | Murray Husband<br>Head of ICT and Digital Enablement<br>1st December 2017 |
| | **7. Adequacy of Rent Arrears Bad Debt Provision**<br>The council currently provides a bad debt provision for irrecoverable housing rent arrears at 75%. However, during 2016/17 changes were made to the write off period for this debt and the level of bad debt provision has remained at 75% for a number of years. Additionally, all rent arrears are provided at the same rate despite the fact that former tenant rent arrears are considered to be harder to collect.<br>**There is a risk that the current policy on bad debt provision does not accurately reflect the recoverability of each individual debt.** . | East Renfrewshire council should review the bad debt provision policy for rent arrears. | The council will review the bad debt provision for housing rents during the current year.<br>Margaret McCrossan<br>Head of Accountancy<br>31 March 2018 |

# 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 opinion on the financial statements.

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| **Risks of material misstatement in the financial statements** | | |
| **1 Risk of management override of controls**<br>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements. | Detailed testing of journal entries.<br>Review of accounting estimates.<br>Focused testing of accruals and prepayments.<br>Evaluation of significant transactions that are outside the normal course of business | We did not identify evidence of management override of controls as a result of the assurance procedures we carried out. |
| **2 Risk of fraud over income & expenditure**<br>ISA 240 presumes a risk of fraud over income which is expanded to include fraud over expenditure in the public sector by the Code of Audit Practice<br>East Renfrewshire Council receives a significant amount of income in addition to Scottish Government funding. The extent and complexity of these income streams means that, in accordance with ISA240, there is an inherent risk of fraud. Particular areas of risk include council tax, non domestic rates and income from sundry debtors. The risk of fraud over expenditure also applies due to the variety and extent of expenditure incurred by the council in delivering services | Analytical procedures on income and expenditure streams.<br>Detailed testing of revenue and expenditure transactions focusing on the areas of greatest risk. | We assessed the design of key controls in place at the council and did not highlight any issues that would result in an increased risk of fraud over income or expenditure.<br>We carried out substantive (sample) testing over income and expenditure. We did not identify any evidence of fraud. |
| **3 Creditors**<br>Concerns have been reported by the council's Internal Audit section regarding the length of time taken by the council to pay suppliers and in the level of duplicate payments made to | Detailed testing of expenditure transactions.<br>Detailed cut-off testing<br>Targeted testing on duplicate payments | Detailed testing was completed on creditors and duplicate payments. Control weaknesses were identified with duplicate payments and this was reported in the interim audit report. Adjustments have been made to the financial statements and |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| suppliers. There is a risk that the council may incur financial loss as a result of making duplicate payments or through the application of penalties. There is also a reputational risk to the Council. | | these have been noted in paragraph 28. |
| 4 **Carefirst**<br>In 2015/16 the council introduced a Care Finance system which is used to process payments to care providers as part of the social work database. A number of concerns with the system were reported by Audit Scotland in 2015/16. These related to the lack of segregation of duties and incomplete and delayed reconciliations between the Care finance system and the finance ledger. In addition, there have been significant delays in the time taken to pay creditors by the HSCP. There is a risk that under/overpayments to providers are not identified and addressed, and could result in misstatements in the financial statements | Targeted testing on payments to care providers<br>Detailed cut-off testing<br>Review of segregation of duties controls<br>Review of system reconciliations | Detailed testing of care provider's payments undertaken and of segregation of duties. No issues identified.<br>A Review of Carefirst reconciliations was undertaken as part of the financial statement audit and also during our interim work and no issues identified. |
| **Risks identified from the auditor's wider responsibility under the Code of Audit Practice** | | |
| 5 **Financial sustainability**<br>The council has identified a need to make savings of £7.216 million in 2017/18 and further recurring annual revenue savings on average of £12 million for the period to 2021/22. Making these additional savings will be challenging given the service reforms and workforce reductions which the council has already implemented. There is also a risk that the level of planned budget savings will adversely affect the level and quality of service provision. | Review of the council's arrangements for financial planning as part of our Best Value audit work.<br>Review of the council's progress in achieving its planned savings. | The savings target for 2017/18 has been revised to £7 million. This relates to late monies received from Scottish Government. Plans are in place to deliver these plans. Current budget monitoring reports show a projected underspend of £2.6 million for 2017/18.<br>Plans are currently being developed to meet the next 3 year budget cycle. This remains an ongoing risk.<br>Action plan (appendix 1, point 3) |
| 6 **Disaster Recover/Resilience planning**<br>The council has recently secured a second data centre. This should allow full disaster recovery testing to be undertaken. In addition, the council is now undertaking a review of business continuity | Review of disaster recovery arrangements and testing undertaken.<br>Review of Business Continuity and resilience planning arrangements | The new data centre went live in August 2017 for phase 1. Phase 1 is for council wide network systems/applications. Plans are now being developed for phase 2 to be rolled out. Phase 2 relates to more specialist systems/applications. The transfer of these will be on an |

| | Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|---|
| | plans with the aim of improving resilience planning. There is a risk that until the full implementation of the improved disaster recovery processes, the council suffers a loss of data and potential disruption to services | | application by application basis and will be driven by system/application upgrades.<br>The business continuity arrangements for each department are currently being reviewed. This is expected to conclude at the end of October 2017. Following this, the corporate Business Continuity plan will be revised.<br>Given that progress here is still underway, a continued risk remains.<br>Action plan (appendix 1, point 5) |
| 7 | **Information security policy**<br>The council's information security policy has not been updated since October 2014. There is a risk that if this policy is not kept current then it will not keep pace with any potential, new or emerging threats | Review of the progress made in updating the council's information security policies | The information security policy has been reviewed by external consultants and has been assessed as being satisfactory. However, this has yet to be issued by the council.<br>The delay in issuing this has been due to the recruitment of an Information security Officer on a permanent basis. The council are currently advertising this post.<br>Given that progress here is still underway, a continued risk remains.<br>Action plan (appendix 1, point 6 |

# Appendix 3

## Summary of national performance reports 2016/17

**2016/17 Reports**

| Month | Reports | | |
|---|---|---|---|
| Apr | | | |
| May | Common Agricultural Policy Futures programme: an update | | |
| Jun | South Ayrshire Council: Best Value audit report | The National Fraud Initiative in Scotland | |
| Jul | Audit of higher education in Scottish universities | Supporting Scotland's economic growth | |
| Aug | Maintaining Scotland's roads: a follow-up report | Superfast broadband for Scotland: a progress update | Scotland's colleges 2016 |
| Sept | Social work in Scotland | Scotland's new financial powers | |
| Oct | Angus Council: Best Value audit report | NHS in Scotland 2016 | |
| Nov | How councils work – Roles and working relationships in councils | Local government in Scotland: Financial overview 2015/16 | |
| Dec | Falkirk Council: Best Value audit report | East Dunbartonshire Council: Best Value audit report | |
| Jan | | | |
| Feb | Scotland's NHS workforce | | |
| Mar | Local government in Scotland: Performance and challenges 2017 | i6: a review | Managing new financial powers: an update |

### Local government relevant reports

*The National Fraud Initiative in Scotland - June 2016*

*Social work in Scotland - September 2016*

*How councils work - Roles and working relationships in councils - November 2016*

*Local government in Scotland:  Financial overview 2015/16 - November 2017*

*Local government in Scotland:  Performance and challenges 2017 - March 2017*

# East Renfrewshire Council

## 2016/17 DRAFT Annual Audit Report

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East Renfrewshire Council

# Annual Report and accounts

## 2016/17


# POST-AUDIT

East Renfrewshire Council

# Contents

# Contents (cont'd)

# Management Commentary

## 1. Introduction

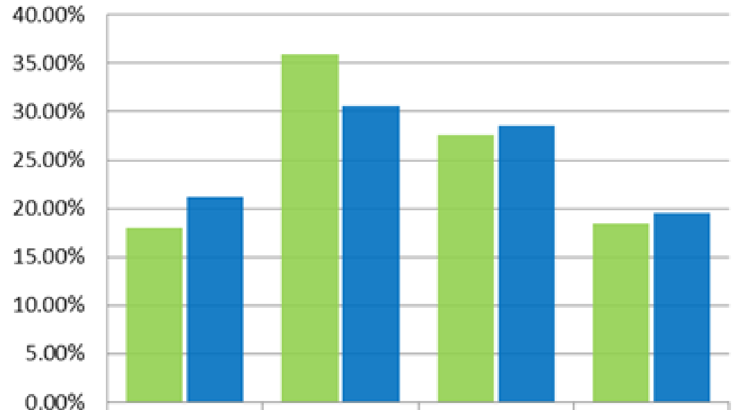
The purpose of this statement is to outline key messages regarding the objectives and strategy of the Council and its financial performance during 2016/17 and also to provide an indication of issues and risks which may impact upon the finances of the Council in the future


### 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 kn). 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 15% of the area is urban and 85% is rural.

The population of East Renfrewshire at 30th June 2016 is 93,810*. This is the Authority's highest ever population, and is an increase from 2015 of 0.94%, and is 5.1% higher than the population in 2007. The 2014 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 and over.

**Table 1: Population Structure East Renfrewshire v Scotland 2016**




| | 0 to 16 | 17 to 44 | 45 to 64 | 65 and Over |
|---|---|---|---|---|
| Scotland | 18.00% | 35.93% | 27.59% | 18.48% |
| East Renfrewshire | 21.19% | 30.64% | 28.61% | 19.56% |

*Source 2016 Mid Year Estimates, National Records of Scotland

# Management Commentary (cont'd)

The council employs 3,743 employees and provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and Housing. Prior to the 4th May 2017 local Government elections, the Council had twenty councillors, across six multi-member wards, representing the interests of the community. There was no overall political control of the Council and the administration was made up of a coalition comprising of 8 Labour, 4 SNP and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.

**The Council employs 3,743 employees.**

## Annual Accounts

The Accounts for East Renfrewshire Council are set out on the following pages in the form of statements which are intended to present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2017.

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

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

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

# Management Commentary (cont'd)

## 2. Objectives and strategy of the Council

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

Our Outcomes are:-

**Early Years**
All Children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed.

**Learning, Life and Work**
East Renfrewshire residents are fit and active and have the skills for learning, life and work

**Economy and Environment**
East Renfrewshire is a thriving, attractive and sustainable place for residents and businesses to grow.

**Safer, Supported Communities**
East Renfrewshire residents are safe and supported in their communities and homes.

**Older People**
Older people in East Renfrewshire are valued, their voices are heard and they are supported to enjoy full and positive lives for longer.

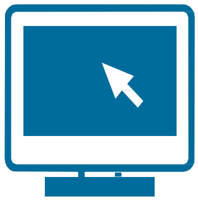
# Management Commentary (cont'd)

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

## FIVE CAPABILITIES

| | |
|---|---|
| **PREVENTION** | **We will ...**<br>Choose to prevent problems from occurring in our communities, rather than trying to fix what has already gone wrong.<br>**We will ...**<br>Instinctively take a preventative approach in our daily work, placing children, early years and the reablement of our elderly at the heart of how we plan services. |
| **COMMUNITY ENGAGEMENT** | **We will ...**<br>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.<br>**We will ...**<br>Listen, understand and respect, empowering our communities to do more for themselves. |
| **DATA** | **We will ...**<br>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.<br>**We will ...**<br>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 ...**<br>Continually look for ways to modernise and improve how we do things. We will make it easier for local people to access our services.<br>**We will ...**<br>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 ...**<br>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.<br>**We will ...**<br>Encourage local people to use our website and social media to speak to us, and each other, 24/7, 365 days a year. |

# Management Commentary (cont'd)



## Consultation and communication with workforce

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

## Budget Process

**Council's multi-year budget approach.**

Following the success of the Council's previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2014, on setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2016/17 was approved by Council in March 2016. The Council continues to actively seek out efficiencies in service delivery with around 58% of the approved savings measures for the financial years 2015/16 to 2017/18 being categorised as efficiencies. As the 2016/17 settlement was slightly worse than anticipated, some additional savings were identified in corporate budgets to address the shortfall. It was also recognised that the outlook for the following year had worsened, with savings of around £4.7m still to be identified by the Corporate Management Team in advance of 2017/18. Capital plans have also been agreed for the General Fund, covering the period 2016/17 to 2023/24, and Housing, covering the period 2016/17 to 2020/21.

## Fund Balances

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

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

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 is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. In 2016/17 this was 4.2%. (2015/16 4.1%)

**(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 provide insurance voluntary excess costs.

**(v)** To enable a continuing programme of repairs and renewals to roads, properties and other infrastructure.

**(vi)** To make provision for anticipated future capital liabilities.

# Management Commentary (cont'd)

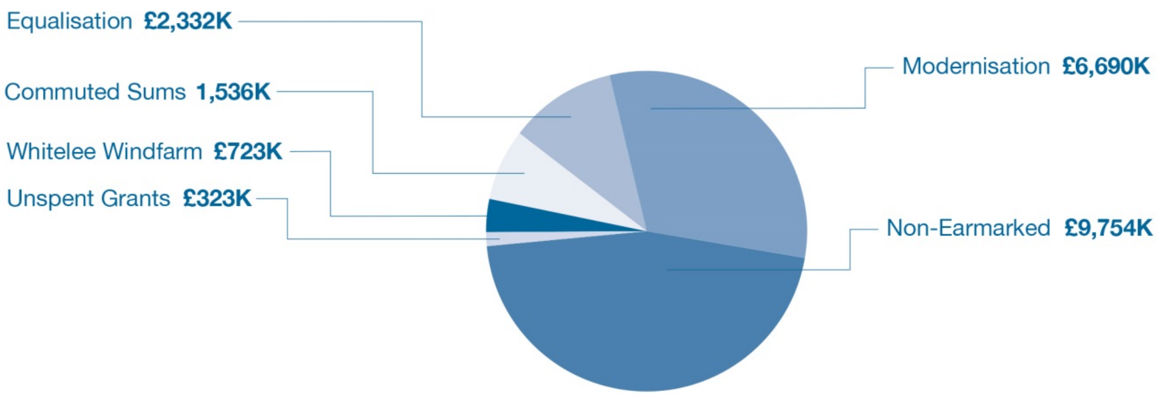
## 3. Financial Performance in 2016/17

### Revenue Budget Performance

### General Fund Revenue Balance

The General Fund Balance at the end of the year is £21.358m. The opening balance of £18.921m has been increased by an overall surplus of £2.437m. Within the General Fund balance an amount of £2.332m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £6.690m has been earmarked as a Modernisation Fund. Further amounts of £0.723m and £1.536m have also been earmarked for the Whitelees Wind Farm and commuted sums. In closing the accounts £0.323m has been attributed to the Unspent Grants reserve. This is to earmark amounts paid in grant to the Council, where the paying agency permits the amount in excess of expenditure incurred to be carried forward for use on particular projects.

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




### Budget Monitoring

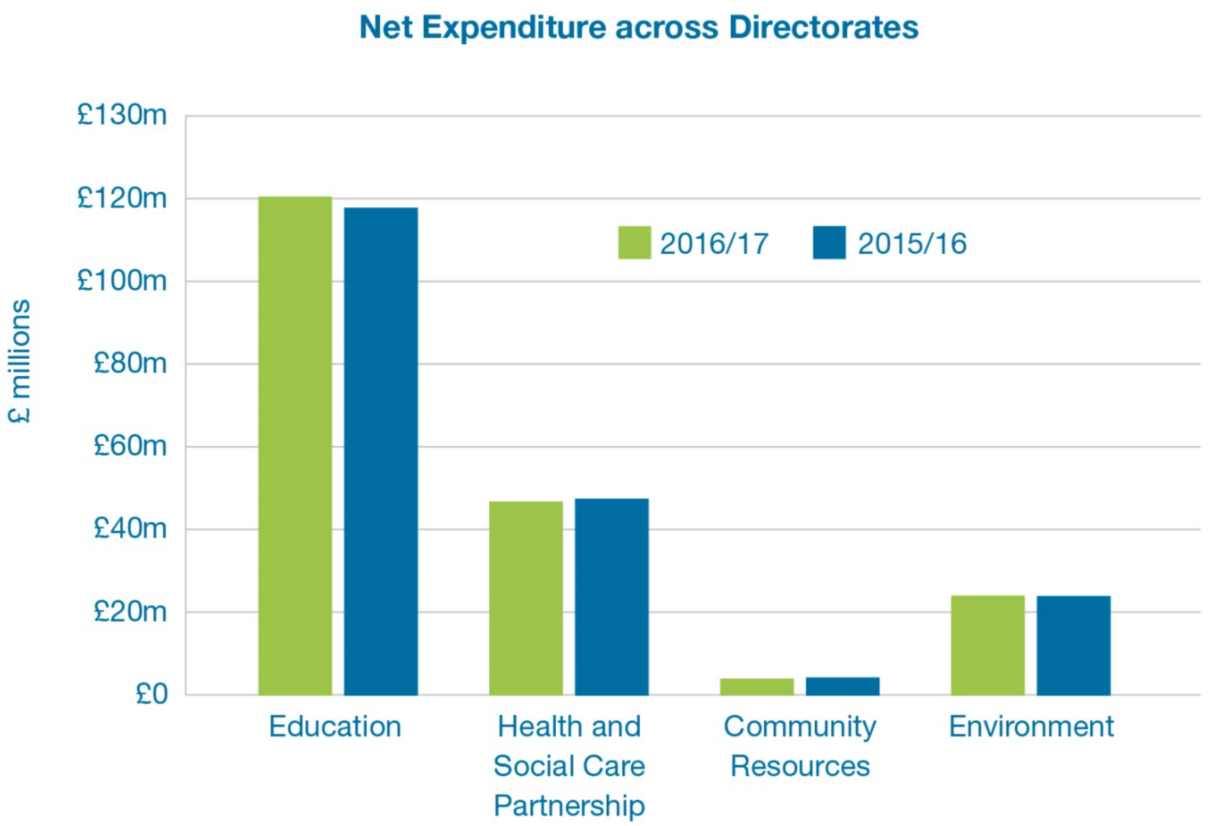
The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available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

# Management Commentary (cont'd)

## Budget Performance

The overall surplus of £2.437m can be analysed as follows:

| | | Actual £'000 | Approved Budget £'000 | Over/(Under) Spend £'000 |
|---|---|---|---|---|
| Net cost of services | 209,566 | | | |
| Capital charges | (11,948) | 197,618 | 208,498 | (10,880) |
| Investment Income | | (240) | (200) | (40) |
| Capital financing costs | | 9,947 | 11,353 | (1,406) |
| Other | | 5,302 | - | 5,302 |
| Contributions to reserves | | 5,300 | - | 5,300 |
| To be met by Govt. grants and local taxation | | 217,927 | 219,651 | (1,724) |
| Aggregate External Finance | | (178,039) | (178,039) | - |
| Council Tax | | (42,325) | (41,612) | (713) |
| Total Funding | | (220,364) | (219,651) | (713) |
| **SURPLUS FOR THE YEAR** | | **(2,437)** | **0** | **(2,437)** |



# 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 106 and 108. 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 £1,378k has been decreased by an operational deficit of £134k to give a year-end balance of £1,244k.

## Capital Budget Performance

The Council invested £40.146m in its General Services and Housing Capital Programmes details of which are provided in note 32 to the core financial statements. Major Projects progressed during this year include:-

- Primary School Newton Mearns (Joint Faith Campus)
- Auchenback Family Centre and Community Hub
- Barrhead High School
- Crookfur Primary School and Nursery improvements

The total net expenditure incurred during the year was less than the capital budget, partly due to delays in public sector partners progressing projects. Capital expenditure was funded by receipts from sale of assets of £1.331m, contributions from revenue and reserves of £15.239m, PPP lifecycle costs of £1.730m and grants and other contributions of £10.350m leaving a balance of £11.496m to be funded by borrowing.

## Assets and Liabilities

The Balance Sheet, on page 44, summarises the Council's assets and liabilities as at 31 March 2017 and explanatory notes are provided. Total net assets have decreased by £30.605 million to £291.066 million. Within this headline figure, there has been significant change in both asset values and liabilities. Property, plant and equipment has increased by £40.917 million; on the liabilities side the pension liability has also increased by £65.332 million. The major changes in the Council's Balance Sheet between March 2016 and March 2017 are explained in more detail in the following paragraphs.

## Non-Current and Current Assets

Property, Plant & Equipment have increased in value by £40.917 million to £596.587 million. This increase in asset values is due mainly to major capital investment incurred during the year. In addition a revaluation exercise of all assets was carried out during the year which was offset by in year depreciation charges. Cash equivalents have reduced by £3.423 million due to both revenue and capital cash flows. Long and short- term Debtors and Creditors decreased by a net £2.804 million.

# Management Commentary (cont'd)

## Short Term and Long Term Borrowing and Lease Finance

The Council's net borrowing (including finance leases) reduced by £8k during the year. Short-term borrowing decreased by £120k and long-term borrowing and lease financing increased by £112k. This reflects the funding of the capital programme this year and the repayment of borrowing and lease finance.

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 40. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's gross external debt (including Finance leases) at the year end was £139.460 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 £179.181 million and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds to minimise the exposure to investment risk.

The financing charges impacting on the Council Tax were £9.947m (2015/16 £10.650m) and on rents were £4.070m (2015/16 £3.827m).

The Council's average loans rate was 3.84% for 2016-2017, a decrease of 0.28% from 2015/16.

## Provision, Contingencies and Write-offs

The Council has provided £0.307 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council (see Note 23) and the reasons for the provisions made are outlined in the Note. The Council continues to progress its workforce planning arrangements in recognition of the need to reduce and reshape the workforce. This process will incur costs related to the release of employees through redundancy and early retirement. There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £173.31k for Council Tax, £52.59k for Non Domestic Rates and £577.97k of other debts which were approved by Cabinet.

**The Council has made provisions of £0.307m**

# Management Commentary (cont'd)

## Performance Information

The Council has well established performance management and planning arrangements which are embedded into the work of all our employees through "the golden thread", that runs from our strategic visions, plans and outcomes through to services' plans and people's individual jobs. This ensures employees know how their work contributes to working toward meeting our vision for the future, simply to make people's lives better.

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 the lives of our residents? 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 key strategic plans are: the Single Outcome Agreement 15-16 update (SOA) and the Outcome Delivery Plan (ODP) 2016-19. The SOA is a Community Planning Partnership plan setting out the strategic outcomes and priorities we want to achieve as a partnership. The ODP shows how the Council will work towards achieving the outcomes set out in the SOA along with our organisational outcomes. From October 2017 the Council will replace the SOA with a Community Plan and Fairer *EastRen* (the Council's Local Outcome Improvement Plan). This is in response to new requirements in the Community Empowerment (Scotland) Act 2015.

The Council's performance management framework includes six monthly reporting to Council on council wide strategic performance against our SOA and ODP, augmented by six monthly performance review meetings involving the Chief Executive, each Director and service managers. The Council's end year strategic performance report 2016/17 will be considered by Council on the 28 June and includes a wide range of information, demonstrating our progress towards our outcomes and a complaints handling annual report. We also report a range of in year reports on service specific information and financial information to elected members and the public. Throughout the year, elected members, managers and staff use performance information to monitor, demonstrate progress, scrutinise results and take action to drive and inform areas for further improvement across services.

Our performance is also subject to external scrutiny. The 2017/18 Local Scrutiny Plan, based on a shared risk assessment undertaken by a Local Area Network (LAN) of scrutiny bodies, gave the Council a positive assessment and did not identify any areas where additional specific

# Management Commentary (cont'd)

scrutiny is required apart from the routine, planned service inspections and monitoring from each of the scrutiny bodies.

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

To access a host of further performance information on how the Council is performing, including trend data, improvement activities, targets, and benchmarking information visit:-
[www.eastrenfrewshire.gov.uk/performance](http://www.eastrenfrewshire.gov.uk/performance)

# Management Commentary (cont'd)

## Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2016/17 and the affordability of its ongoing commitments:-

| Financial Indicator | Commentary | 2016/17 | 2015/16 |
|---|---|---|---|
| **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 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. | 4.2% | 4.1% |
| Movement in the Uncommitted General Fund Balance | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. | 7.2% | 0.7% |
| **Council Tax** | | | |
| In-Year collection rate | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy. | 97.76% | 97.64% |
| Ratio of Council Tax income to Overall Level of Funding | Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. East Renfrewshire Council, in common with all Scottish Local Authorities in 2016/17, has frozen Council Tax bills at 2007-08 levels. | 19.2% | 18.7% |
| **Financial Management** | | | |
| Actual Outturn compared to Budgeted Expenditure | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of the budget monitoring as reported throughout the year. More details are provided in the *Revenue Budget Performance* section above. | 96.5% | 94.7% |
| Actual contribution (to)/from Unallocated General Fund Balance Compared to Budget. | | 3.2% | 5.2% |
| **Debt/Long-term Borrowing** | | | |
| Capital Financing Requirement (CFR) for the current year | External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only. | £179.2m | £180.3m |
| External Debt Levels for the current year | | £139.5m | £139.5m |
| Ratio of financing costs to net revenue stream – General Fund | These two ratios compliment the assurances of borrowing only being for capital purposes with an indication of the Council's ability to service the borrowing costs. The Council's cost of borrowing is affordable; and fits with the Council's medium to long-term financial strategy. | 8.3% | 8.6% |
| Ratio of financing costs to net revenue stream – Housing Revenue Account | | 37.1% | 35.3% |

# 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 2016/17. 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 £8.0m have been made to key earmarked reserves (Capital Reserve £4.1m, Modernisation Fund £2.3m, Equalisation Reserve Fund £0.4m and Repairs and Renewal Fund £1.2m). This will assist the Council in taking forward appropriate measures to address the significant financial difficulties and uncertainties in coming years. In particular, this will help alleviate pressure on the Council's Capital Programme and will facilitate one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year investment in Education continued with the construction period of the new build replacement Barrhead High School and the new Faith Schools' Joint Campus, both due for completion in summer 2017. Major refurbishment works on Crookfur Primary continued, including the extension to the building increasing the number of nursery places available. The number of places available was also increased at Cart Mill Family Centre with the completion of their new centre in November 2016. Funding was also provided to support initiatives to raise attainment for all and address inequality, whilst maintaining the pupil to teacher ratio.

**A further £1.64m of capital reserves was invested in improving our roads and street lighting.**

The Council made further investment within the Health and Social Care Partnership with the completion of the new state of the art Eastwood Health & Care Centre. This provides modernised health and social care facilities under the one roof and is a great example of partnership working between the Council and Greater Glasgow and Clyde health board.

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 £1.64 million of capital resources in improving our roads and street lighting.

# Management Commentary (cont'd)

## 4. Financial Outcomes and Key Risks

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

Council resources are expected to remain constrained in the medium term, with forecasts of grant for the coming years showing further cash reductions. Further, a condition of receiving the government grant for 2016/17 was that Council Tax would again be frozen for that year, although it has since been confirmed that limited increases will be permitted thereafter. 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, however, as grant allocations and conditions (e.g. requirements to maintain teacher numbers and to make payment of living wage to care staff employed by service providers) apply the Council must 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. Underpinning this strategy has been Financial Policy approved by the Council and reviewed as part of the annual budget. This strategy is characterised through a number of factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserve levels and put in place actions designed to ensure that these are at a level to assist the Council in addressing future financial difficulties.

In December 2016 the Council further received and updated its financial strategy so as to align this with the latest anticipated financial challenges. This was further updated by Council on 9 February 2017:-
http://intranet.erc.insider/CHttpHandler.ashx?id=9983&p=0
when a new Reserves Policy was approved:-
http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=19438&p=0

In recognising the competing pressures of future restraints in funding levels and increasing demand, the Council has proactively identified resources from within its grant settlement to progress preventative spend with the aim of tackling future demand pressures. Total resources identified for the following financial year amount to £4,665k.

As a consequence of the Council's programme of efficiency reviews 45 employees took the option of voluntary redundancy or other packages offered to them in 2016/17. This resulted in an in year cost of £0.65m.

**45 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

# Management Commentary (cont'd)

system of internal control in place and sets out improvement actions to the governance framework identified from the Council's ongoing review of these arrangements. The statement also refers to a control weakness identified in relation to a supplier payment during the year and to corrective action taken.

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

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

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

The Council's strategic risks have been identified, along with their corresponding risk controls and actions, and were reported to Committee for members' consideration in a Report to Cabinet 23 March 2017.

# Management Commentary (cont'd)

## 5. Supplementary Information

### Private Finance Initiative/Public Private Partnership & Similar Contracts

The Council has two Private Finance Initiative contracts. The first contract, signed on 20 April 2000, is for the provision of school facilities for a period of 25 years ending July 2026 and the second contract, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for a period of 30 years ending April 2035. On 10 December 2004 the Council also signed a 25-year Public Private Partnership contract for the provision of further new and extended school facilities for a period of 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract for the construction and maintenance of a replacement Barrhead High School to be delivered under the Scotland's Schools for the Future programme non-profit distributing (NPD) model. The new facility is scheduled to be handed over to the Council in August 2017. Details of all 4 projects are provided in note 34 to the core financial statements.

**Construction ongoing of the new Barrhead High School**

### 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 2017, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £173.922m, details of which can be found in note 38 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2017. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years time, since the money received now could be invested and would earn interest or returns during the ten years. In order to adjust the pension liability cash flows for the time value of money a discount factor based on corporate bond rates is used. The discount factor as at 31 March 2017 was 2.6%. This year has seen an increase in pension liabilities to £655.487m (2015/16 £498.531m) which is principally because the financial assumptions at 31 March 2017 are less favourable than they were at 31 March 2016.

# Management Commentary (cont'd)

This increase in liabilities, in addition to an increase in asset values (£481.565m, 2015/16 £389.941m), has resulted in a net increase in the overall pension liability of £65.332m. Employer contributions are based on the longer- term funding valuation as at 31st March 2014. 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 £12.629m. Full details of these interests are listed within the notes to the Group Accounts.

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

## Events During 2016/17

**From 1 April 2016 regulations have been approved increasing the purposes for local Authorities to borrow**

CIPFA's Code of Practice on Local Authority Accounting 2016/17 introduced a new requirement for measuring highways network assets (HNA) at depreciated replacement cost, in place of historic cost. The impact of this requirement on the Council's Balance Sheet was not quantified but it was anticipated that it would be significant. However, in March 2017 CIPFA - LASAAC agreed to defer implementation of this new requirement until 2017/18 at the earliest due to the lack of updated Gross Replacement cost rates, resulting in a failure to comply with the HNA code.

# Management Commentary (cont'd)

In addition, the Local Authority (Capital Finance and Accounting) (Scotland) Regulations 2016 approved by the Scottish Parliament, with effect from 1 April 2016, increased the purposes for Local Authorities to borrow money. This provides councils with additional flexibility in progressing programmes such as City Deal. Further information can be obtained from Council's Treasury Management Strategy report:
http://www.eastrenfrewshire.gov.uk/CHttpHandler.ashx?id=19435&p=0

Following the CIPFA publication "*Telling the Whole Story*", which reviewed the presentation of Local Authority financial statements, the 2016/17 Code of Practice changed the segmental reporting arrangements for the Comprehensive Income and Expenditure Statement and introduced the Expenditure and Funding Analysis. The new Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund and HRA. Both the Comprehensive Income and Expenditure Statement and the Expenditure and Funding Analysis include a segmental analysis which requires the Authority to report performances on the basis of how they are structured and how they operate, monitor and manage financial performance.

## Significant Trading Operations

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

# Management Commentary (cont'd)

## 6. Where to Find More information

### In this Document

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

### On Our Website

Further information on the Accounts can be obtained on the Council's website (**www.eastrenfrewshire.gov.uk**) or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG.

### Acknowledgement

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

Councillor Tony Buchanan
Leader of the Council
28 September 2017

Lorraine McMillan
Chief Executive
28 September 2017

Margaret McCrossan CPFA
Head of Accountancy
(Chief Financial Officer)
28 September 2017

# 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 28th September 2017.

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council
28 September 2017

**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 2017.

Margaret McCrossan CPFA Head of Accountancy
(Chief Financial Officer)
28 September 2017

# Annual Governance Statement 2016/17

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

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

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

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

We completed a self-assessment of our Code against the new principles in 2017. Our assessment found that we were fully compliant across all governance principles with the exception of being partially compliant on some aspects of four sub principles: stakeholder engagement; managing service users in determining priorities; developing the entity's capacity and strong financial public management. We identified improvement actions in these areas: to develop a Local Outcome Improvement Plan; to develop an approach to participatory budgeting; review asset management plans; alignment of financial and workforce plans and implement audit actions relating to invoice processing. We also identified a number of improvement actions to further exceed levels of compliance as part of our ethos of continuous improvement.

*Our new Code of Corporate Governance for 2017/18 and an update on the 2016/17 action plan were approved by the Audit and Scrutiny Committee on 17 August 2017.*

*An update on progressing the improvement actions on last year's code, along with a copy of our updated Code of Corporate Governance can be accessed via our website at http://www.eastrenfrewshire.gov.uk/corporategovernance or can be obtained from the Policy and Improvement Unit, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).*

This statement outlines East Renfrewshire Council's level of compliance with the code and also how the Council meets the Code of Practice on Local Authority Accounting in the UK

# Annual Governance Statement 2016/17 (cont'd)

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

During 2016/17, we have reviewed the system of internal control and put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.

**The purpose of the governance framework**

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

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

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

The system includes -

- A clear Vision for the Future, supported by a set of values (identified by staff) and five organisational capabilities (prevention, community engagement, data, modernisation and digital)
- Sound financial management arrangements which comply with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government.
- Clear roles and responsibilities for the Corporate Management Team (CMT) (Chief Financial Officer member of CMT) and elected members with well defined delegation arrangements.
- A statutory section 95 officer and a Chief Financial Officer for East Renfrewshire Health and Social Care Partnership (HSCP) Integrated Joint Board**.**
- An Audit and Scrutiny Committee which provides a robust and effective level of scrutiny and challenge.
- High standards of budgeting, monitoring and reporting.
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against forecasts
- Clearly defined capital expenditure guidelines.

# Annual Governance Statement 2016/17 (cont'd)

- Matching of asset base to Council objectives in terms of suitability and sustainability and supported by appropriate asset management plans overseen by the Corporate Asset Management Group.
- Well embedded and systematic approach to risk management.
- Well-developed corporate performance management arrangements with regular reports to CMT and Council. These 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 (e.g. policies on Anti-fraud and Bribery Strategy (which includes a probity register)
- Providing extensive training and development opportunities for all elected members and employees

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2017 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 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.

# Annual Governance Statement 2016/17 (cont'd)

The 2015/16 the Annual Governance Statement referenced issues regarding payments to providers made by HSCP in respect of learning disability services and collection of income for community alarms. A follow up report by Internal Audit during 2016/17 on payments to providers recognised that significant progress had been made and a number of actions were closed. All Audit Scotland recommendations resulting from a review of the Care Finance have been completed as planned. On Community alarms the billing system has been migrated to Care Finance with the new process now fully operational.

The Chief Internal Auditor's annual Audit report for 2016/17 was presented to the Audit and Scrutiny Committee on 17 August 2017. 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 2017 with the exception of a number of key control weaknesses highlighted in the report relating to the Creditors' section.

There were two significant failures in key controls within the Creditors' section, firstly when a fraudulent request to amend a suppliers bank details was processed without required checks being carried out following a temporary lapse in controls. Two invoices, totalling £2.3m, were then processed for payment to these new details. Procedures employed by the Council's bank stopped these payments and all monies were refunded to the Council. The relevant procedural checks were immediately reinstated and strengthened following notification of this issue to the Creditors team.

The second issue highlighted by Internal Audit where controls failed was in checking for duplicate invoices prior to payments being made. Improved procedures have been implemented to ensure that these checks are being run routinely prior to each payment. Work is ongoing to recover any remaining outstanding duplicate or erroneous payments made to suppliers, with independent audit verification continuing. The Head of Accountancy is assured that there is no material effect on the annual accounts.

Key actions achieved during 2016/17 included –

- Successful internal Vision for the Future communications campaign
- New strategies developed for corporate communications, social media growth and the Council website
- New corporate strategy guidance issued
- Improved absence reporting facilities for managers, accessible through MyInsider
- Delivery of briefing sessions on the implications of the new Community Empowerment Act
- Four levels of leadership and management training delivered.
- Moving into the operational phase of the Care Finance system with the majority of development work completed in the East Renfrewshire Health and Social Care Partnership (HSCP)
- Achievement of a number of planned change projects within the Modern Ambitious Programme with each department and HSCP having an established Change Boards to oversee governance arrangements

# Annual Governance Statement 2016/17 (cont'd)

Key actions planned for 2017/18 (listed in the code):

- Review and streamline Leadership Competencies and embed within organisational processes, including Performance Review and Development (PRD)
- Gain staff feedback to assess employee awareness and understanding of our five values and wider Vision for the Future
- Review of Financial Regulations
- Implement and embed new website subscription tool across council.
- Transfer of social customer service activity to Customer First.
- Establish a new digital customer experience team to take experience of our customers across all digital platforms to the next level
- Develop a Local Outcome Improvement Plan
- Develop an approach to participatory budgeting
- Review Asset Management Plans

**External Scrutiny**

The Council's Local Scrutiny Plan 2017/18 gave an overall positive assessment. The Local Area Network (LAN) of external scrutiny bodies did not identify any scrutiny risks and as a result no *additional specific scrutiny* is required in 2017/18. Whilst no specific scrutiny risks have been identified, we will be subject to some planned areas of scrutiny and will participate in a number of nationally driven risk based audits and reviews during 2017/18. The LAN's report also identifies two areas requiring ongoing external audit oversight and monitoring – financial sustainability; given the extent of savings we will be required to make over the next five years and providing additional future nursery provision to meet the Scottish Government targets by 2020. In 16/17 we were one of six councils to go through Audit Scotland's new approach to auditing best value. Field work was completed during March to May 2017 and a Best Value assurance report is planned for publication on 2 November 2017.

**Our Ambition for Change**

In 2016/17 we have continued to take forward our Modern Ambitious Programme (MAP). MAP is our blueprint for transforming services and is on track to make significant and rapid progress in driving forward modern ways of working, ensuring service improvement and generating efficiencies - particularly around our capabilities of digital, data and modernisation. Much of MAP is about redesigning services end to end from a customer perspective by putting in place technologies to make those journeys more streamlined and efficient; and ensuring that employees and customers have the skills, motivation and trust required to use them. Each council department together with the Health and Social Care Partnership and the Culture and Leisure Trust has their own change boards and programmes reflecting local priorities for modernisation and service redesign.

**Statement on the Role of the Chief Financial Officer in Local Government**

CIPFA published this statement in 2010 and under the Code we are required to state whether we comply with the statement and, if not, to explain how our governance arrangements deliver the same impact. The full statement is:-

# Annual Governance Statement 2016/17 (cont'd)

The Chief Financial Officer in a public service organisation:
- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest;
- Must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the authority's financial strategy; and
- Must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:
- Must lead and direct a finance function that is resourced to be fit for purpose; and
- Must be professionally qualified and suitably experienced.

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

**Assurance**

Overall this year, we consider the governance and internal control environment operating during 2016/17 provided reasonable and objective assurance, that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions taken.

Regarding key control issues relating to the creditors' service these controls are now back in place and there is ongoing Internal Audit work to verify retrospective checks. The Head of Accountancy is assured that there is no material effect on the annual accounts.

Looking ahead, well-established systems are in place to review and improve our governance and internal control environment. We will continue to review our corporate governance arrangements; closely monitor progress on the actions identified, as a key part of striving to achieve our ultimate aim, to make people's lives better in East Renfrewshire.

Cllr Tony Buchanan
Leader of the Council
Date: 28 September 2017

L. McMillan
Chief Executive
On behalf of East Renfrewshire Council
Date: 28 September 2017

# Remuneration Report

## Remuneration Report

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

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

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

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

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. For 2016-17 the salary for the Leader of East Renfrewshire Council was £28,157. The Regulations permit the council to remunerate one Provost and set out the salary that should be paid.

The Regulations also set out the remuneration that may be paid to Senior Councillors and the total number of Senior Councillors the Council may have. The maximum yearly amount that may be paid to a Senior Councillor is 75 per cent of the total yearly amount payable to the Leader of the Council. The total yearly amount payable by the Council for remuneration of all of its Senior Councillors shall not exceed £171,048. 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. The Council policy is to appoint the maximum number of Senior Councillors permitted in the regulations.

# Remuneration Report (cont'd)

In 2016/17 East Renfrewshire Council had 9 Senior Councillors and the remuneration paid to these councillors totalled £171,045. 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 27 June 2012 and is available at **www.eastrenfrewshire.gov.uk.**

## 2. Remuneration Policy for Senior Employees

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

## 3. Remuneration of Senior Employees

The Council has interpreted Senior Employees as including the Chief Executive and those staff reporting directly to the Chief Executive. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included. The remuneration paid to senior employees, including additional payments for election work, is as follows:-

# Remuneration Report (cont'd)

| | | Salary, Fees and Allowances £ | Compensation for loss of office £ | Expenses and Allowances** £ | Total £ |
|---|---|---|---|---|---|
| Lorraine McMillan | 2016/17 | 116,795 | | - | 116,795 |
| (Chief Executive) | 2015/16 | 114,804* | | - | 114,804 |
| Mhairi Shaw | 2016/17 | 103,425 | | - | 103,425 |
| (Director of Education) | 2015/16 | 102,387 | | - | 102,387 |
| Julie Murray | 2016/17 | 104,977*** | | - | 104,977 |
| (Chief Officer of East Renfrewshire Integration Joint Board) | 2015/16 | 103,918 | | - | 103,918 |
| Kate Rocks | 2016/17 | 82,596 | | - | 82,596 |
| Chief Social Work Officer | 2015/16 | 81,763 | | - | 81,763 |
| Andrew Cahill | 2016/17 | 103,425 | | - | 103,425 |
| (Director of Environment) | 2015/16 | 102,382 | | - | 102,382 |
| Margaret McCrossan | 2016/17 | 90,912* | | - | 90,912 |
| Head of Accountancy (Chief Financial Officer) | 2015/16 | 89,775* | | - | 89,775 |
| Caroline Innes | 2016/17 | 103,775* | | - | 103,775 |
| (Deputy Chief Executive) | 2015/16 | 102,557* | | - | 102,557 |
| Gerry Mahon | 2016/17 | 71,958* | | - | 71,958 |
| (Chief Officer – Legal and Procurement) | 2015/16 | 71,715* | | - | 71,715 |
| Michelle Blair | 2016/17 | 51,606* | | - | 51,606 |
| (Chief Auditor) | 2015/16 | 50,913* | | - | 50,913 |
| Anthony McReavy | 2016/17 | 65,099 | | - | 65,099 |
| (Chief Executive Culture & Leisure Trust) (From 18.05.15) | 2015/16 | 44,776 (Annual equivalent £64,675) | | - | 44,776 |

* These figures include payments for election work
** This column represents taxable earnings only
*** This salary is funded by East Renfrewshire Integration Joint Board

East Renfrewshire Council

# Remuneration Report (cont'd)

## 4. Remuneration of Senior Councillors

| Name | Position Held | Notes | Salary - Payments made by Council | | | Re-imbursement of Members Expenses | | | | | | | | Total Salary Expenses 2016/17 (E + M) | Total Salary Expenses 2015/16 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | 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 | Deputy Leader/Vice Chair of the Cabinet. Convener for Infrastructure and Sustainable Growth. | | 19,005 | 0 | 19,005 | 212 | 70 | 0 | 0 | 0 | 0 | 202 | 484 | 19,489 | 19,891 |
| Carmichael | Provost | | 21,118 | 0 | 21,118 | 0 | 0 | 0 | 0 | 0 | 0 | 168 | 168 | 21,286 | 21,403 |
| Cunningham | Deputy Provost | | 19,005 | 0 | 19,005 | 0 | 0 | 0 | 0 | 0 | 0 | 360 | 360 | 19,365 | 19,331 |
| Devlin | Convener for Housing & Maintenance Services | | 19,005 | 0 | 19,005 | 0 | 0 | 0 | 0 | 0 | 0 | 400 | 400 | 19,405 | 19,593 |
| Fletcher | Leader of the Council/Chair of the Cabinet | 1 | 28,157 | 0 | 28,157 | 51 | 272 | 34 | 0 | 0 | 0 | 284 | 641 | 28,798 | 28,793 |
| Green | Convener for Education and Equalities | | 19,005 | 0 | 19,005 | 737 | 64 | 38 | 0 | 0 | 0 | 202 | 1,041 | 20,046 | 20,409 |
| Hay | Chair of Planning Applications Committee | | 19,005 | 0 | 19,005 | 0 | 0 | 59 | 0 | 0 | 0 | 126 | 185 | 19,190 | 19,346 |
| McAlpine | Convener for Corporate Services | | 19,005 | 0 | 19,005 | 125 | 139 | 0 | 0 | 0 | 0 | 214 | 478 | 19,483 | 20,231 |
| Montague | Convener for Community Services & Community Safety | | 19,005 | 0 | 19,005 | 0 | 0 | 123 | 0 | 0 | 0 | 557 | 680 | 19,685 | 20,773 |
| Wallace | Chair of Audit & Scrutiny Committee | | 19,005 | 0 | 19,005 | 0 | 0 | 0 | 0 | 0 | 0 | 93 | 93 | 19,098 | 18,919 |
| Waters | Convener for Environment | | 19,005 | 0 | 19,005 | 0 | 0 | 935 | 0 | 0 | 0 | 142 | 1,077 | 20,082 | 19,713 |
| **Sub total** | **Senior Councillors** | | **220,320** | **0** | **220,320** | **1,125** | **545** | **1,189** | **0** | **0** | **0** | **2,748** | **5,607** | **225,927** | **228,402** |
| All other councillors | | | 159,282 | 4,075 | 155,207 | 661 | 76 | 97 | 0 | 78 | 498 | 1,960 | 3,370 | 158,577 | 159,778 |
| | **Total** | | **379,602** | **4,075** | **375,527** | **1,786** | **621** | **1,286** | **0** | **78** | **498** | **4,708** | **8,977** | **384,504** | **388,180** |

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

1 Cllr Fletcher receives payments directly from Scottish Futures Trust as a Non Executive Director and member of the Audit Committee. For further details please refer to www.scottishfuturestrust.org.uk

2 East Renfrewshire Council leases a car for civic duties. The annual cost of this car is £4,248.

# Remuneration Report (cont'd)

## 5. Pension Entitlement

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

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

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

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

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

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

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

The tiers and scheme members' contribution rates for 2016/17 and 2015/16 are as follows:-

| Actual Pensionable pay | Contribution rate 2016/17 | Actual Pensionable Pay | Contribution rate 2015/16 |
|---|---|---|---|
| On pensionable pay up to and including £20,700 | 5.5% | On pensionable pay up to and including £20,500 | 5.5% |
| On pensionable pay £20,700 to £25,300 | 7.25% | On pensionable pay £20,500 to £25,000 | 7.25% |
| On pensionable pay £25,300 to £34,700 | 8.5% | On pensionable pay £25,000 to £34,400 | 8.5% |
| On pensionable pay £34,700 to £46,300 | 9.5% | On pensionable pay £34,400 to £45,800 | 9.5% |
| On pensionable pay above £46,300 | 12% | On pensionable pay above £45,800 | 12% |

# 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 2017 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 | | 2016/17 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2016 | |
|---|---|---|---|---|---|---|
| | 2016/17 £ | 2015/16 £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| Lorraine McMillan (Chief Executive) | 22,079 | 22,158 | 17,889 | 4,526 | 2,599 | 71 |
| Mhairi Shaw (Director of Education) | 19,961 | 19,760 | 50,602 | 114,018 | 1,147 | 2,631 |
| Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board) | 20,260 | 19,890 | 31,434 | 55,946 | 958 | 1,745 |
| Kate Rocks (Chief Social Work Officer) | 15,941 | 15,780 | 22,112 | 36,159 | 493 | 836 |
| Andrew Cahill (Director of Environment) | 19,961 | 19,760 | 46,130 | 100,688 | 1,016 | 2,327 |
| Margaret McCrossan (Head of Accountancy / Chief Financial Officer) | 17,459 | 17,283 | 42,844 | 95,480 | 971 | 2,207 |
| Caroline Innes (Deputy Chief Executive) | 19,961 | 19,760 | 43,377 | 92,343 | 980 | 2,135 |
| Gerry Mahon (Chief Officer – Legal and Procurement) | 13,820 | 13,807 | 22,527 | 41,428 | 302 | 584 |
| Michelle Blair (Chief Auditor) | 9,892 | 9,792 | 16,198 | 29,867 | 364 | 691 |
| Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust) | 12,564 | 8,642 | 2,435 | - | 1,522 | - |

# Remuneration Report (cont'd)

## Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2017 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 | | 2016/17 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2016 | |
|---|---|---|---|---|---|---|
| | 2016/17 £ | 2015/16 £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| Cllr Buchanan – Convener for Infrastructure and Sustainable Growth | 3,668 | 3,632 | 3,245 | 1,333 | 454 | 31 |
| Cllr Carmichael – Provost | 4,076 | 4,035 | 4,164 | 3,284 | 512 | 45 |
| Cllr Cunningham – Deputy Provost | - | - | - | - | - | - |
| Cllr Devlin – Convener for Housing Maintenance Services | - | - | - | - | - | - |
| Cllr Fletcher – Leader of the Council | 5,434 | 5,380 | 5,296 | 2,394 | 142 | 257 |
| Cllr Green – Convener for Education and Equalities | 3,668 | 3,632 | 3,119 | 1,135 | 457 | 30 |
| Cllr Hay – Chair for Planning Applications Committee | - | - | - | - | - | - |
| Cllr McAlpine – Convener for Corporate Services | 3,668 | 3,632 | 3,324 | 1,471 | 462 | 38 |
| Cllr Montague – Convener for Community Services and Community Safety | 3,668 | 3,632 | 3,166 | 998 | 447 | 21 |
| Cllr Wallace – Chair of Audit Committee | 3,668 | 3,632 | 2,084 | - | 432 | - |
| Cllr Waters – Convener for Environment | 3,668 | 3,632 | 1,720 | - | 419 | - |

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

# 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 | 2016/17 | | | | 2015/16 | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of employees | | | | Number of employees | | | |
| | Teachers | Left during year | Employees | Total | Teachers | Left during year | Employees | Total |
| £50,000 - £54,999 | 50 | 1 | 19 | 70 | 51 | 2 | 14 | 67 |
| £55,000 - £59,999 | 26 | 3 | 7 | 36 | 14 | 1 | 3 | 18 |
| £60,000 - £64,999 | 3 | 2 | 4 | 9 | 5 | 1 | 3 | 9 |
| £65,000 - £69,999 | 2 | - | 2 | 4 | 3 | - | 1 | 4 |
| £70,000 - £74,999 | - | 1 | 1 | 2 | 1 | - | 5 | 6 |
| £75,000 - £79,999 | 1 | - | 11 | 12 | - | - | 6 | 6 |
| £80,000 - £84,999 | 1 | 1 | 1 | 3 | 1 | - | 1 | 2 |
| £85,000 - £89,999 | 2 | - | - | 2 | 2 | 1 | - | 3 |
| £90,000 - £94,999 | - | 1 | 1 | 2 | - | - | 1 | 1 |
| £95,000 - £99,999 | - | - | - | - | - | - | - | - |
| £100,000 - £104,999 | - | - | 3 | 3 | - | 1 | 3 | 4 |
| £105,000 - £109,999 | - | - | 1 | 1 | - | - | - | - |
| £110,000 - £114,999 | - | - | 1 | 1 | - | 1 | 1 | 2 |
| £115,000 - £119,999 | - | - | - | - | - | - | - | - |

# Remuneration Report (cont'd)

7. **Exit Packages**

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below.

These figures include the national capitalised costs of compensatory added years. These national costs are not based on actual costs but are the estimated present value of projected costs over the lifetime of the individuals in receipt of exit packages.

| (a) | (b) | | (c) | | (d) | | (e) | |
|---|---|---|---|---|---|---|---|---|
| Exit package cost (including special payments) | Number of compulsory redundancies* | | Number of other departures agreed | | Total number of exit packages by cost band [(b) + (c)] | | Total cost of exit packages in each band | |
| | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 | 2015/16 | 2016/17 £ | 2015/16 £ |
| £0 - £20,000 | 8.0 | - | 28.0 | 7.0 | 36.0 | 7.0 | 138,210 | 116,746 |
| £20,001 - £40,000 | - | - | 5.0 | 12.0 | 5.0 | 12.0 | 142,691 | 344,555 |
| £40,001 - £60,000 | - | - | - | 7.0 | - | 7.0 | - | 373,442 |
| £60,001 - £80,000 | - | - | 1.0 | 4.0 | 1.0 | 4.0 | 67,743 | 286,683 |
| £80,001 - £100,000 | - | - | 2.0 | 1.0 | 2.0 | 1.0 | 166,457 | 95,331 |
| £100,001 - £150,000 | - | - | 1.0 | 7.0 | 1.0 | 7.0 | 130,243 | 851,531 |
| **Total** | **8.0** | **-** | **37.0** | **38.0** | **45.0** | **38.0** | **645,344** | **2,068,288** |
| Add: Amounts provided for in CIES not included in bandings | - | - | - | 1.0 | - | 1.0 | - | 164,803 |
| Total Cost included in CIES | 8.0 | - | 37.0 | 39.0 | 45.0 | 39.0 | 645,344 | 2,233,091 |

*No employee was subject to compulsory redundancy. Payments of a statutory nature are included in this classification; for example redundancy payments at the cessation of fixed term contracts of two or more years duration.

Councillor Tony Buchanan
Leader of the Council
28 September 2017

Lorraine McMillan
Chief Executive
28 September 2017

# Expenditure and Funding Analysis

The expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (Government Grants, Rents, Council Tax and Business Rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and Expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2015/16 | | | | 2016/17 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to the General Fund and HRA Balances** | **Adjustments Between Funding & Accounting Basis (See Note 8)** | **Net Expenditure in the Comprehensive Income & Expenditure Statement** | | **Net Expenditure Chargeable to the General Fund and HRA Balances** | **Adjustments Between Funding & Accounting Basis (See Note 8)** | **Net Expenditure in the Comprehensive Income & Expenditure Statement** |
| 109,465 | 3,765 | 113,230 | Education | 110,739 | 3,435 | 114,174 |
| 23,535 | - | 23,535 | HSCP - Contribution to Integration Joint Board | 47,030 | - | 47,030 |
| 20,086 | 1,517 | 21,603 | HSCP - Provision of Services | (1,625) | 1,065 | (560) |
| 21,516 | 3,906 | 25,422 | Environment | 21,295 | 4,078 | 25,373 |
| 3,140 | 167 | 3,307 | Corporate & Community – Community Resources | 2,676 | 105 | 2,781 |
| 23,906 | (17,960) | 5,946 | Other Expenditure / Housing | 18,168 | (10,811) | 7,357 |
| 3,263 | 244 | 3,507 | Support Services – Chief Executive's Office | 2,837 | 87 | 2,924 |
| 6,677 | 1,871 | 8,548 | Support Services – Corp & Comm | 7,322 | 1,641 | 8,963 |
| 1,654 | 3 | 1,657 | Support Services – Environment | 1,443 | 81 | 1,524 |
| **213,242** | **(6,487)** | **206,755** | **Net Cost of General Fund Services** | **209,885** | **(319)** | **209,566** |
| (1,444) | 3,360 | 1,916 | HRA | 309 | 2,010 | 2,319 |
| **211,798** | **(3,127)** | **208,671** | **Cost of Services** | **210,194** | **1,691** | **211,885** |
| (661) | (1,450) | (2,111) | Other operating expenditure | (675) | 280 | (395) |
| 9,713 | 4,703 | 14,416 | Financing and investment income and expenditure | 8,542 | 4,335 | 12,877 |
| (224,140) | (11,289) | (235,429) | Taxation and non-specific grant income | (220,364) | (10,350) | (230,714) |
| **(3,290)** | **(11,163)** | **(14,453)** | **(Surplus) / Deficit on Provision of Services** | **(2,303)** | **(4,044)** | **(6,347)** |
| **(17,009)** | | | Opening General Fund and HRA Balance | **(20,299)** | | |
| (3,290) | | | (Surplus) / Deficit on General Fund and HRA Balance in Year | (2,303) | | |
| (20,299) | | | **Closing General Fund and HRA Balance*** | (22,602) | | |

*For a split of this balance between the general fund and the HRA please see Movement in Reserves

# Comprehensive Income and Expenditure Statement

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

| Year Ended 31 March 2016 (Restated) | | | | Year Ended 31 March 2017 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** | | **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** |
| 128,235 | (15,005) | 113,230 | Education | 130,137 | (15,963) | 114,174 |
| 23,535 | - | 23,535 | HSCP - Contribution to Integration Joint Board | 47,030 | - | 47,030 |
| 57,436 | (35,833) | 21,603 | HSCP – Provision of Services | 59,085 | (59,645) | (560) |
| 34,709 | (9,287) | 25,422 | Environment | 34,133 | (8,760) | 25,373 |
| 3,784 | (477) | 3,307 | Corporate & Community – Community Resources | 3,393 | (612) | 2,781 |
| 36,239 | (30,293) | 5,946 | Other Expenditure / Housing | 28,622 | (21,265) | 7,357 |
| 3,789 | (282) | 3,507 | Support Services – Chief Executive’s Office | 3,182 | (258) | 2,924 |
| 11,291 | (2,743) | 8,548 | Support Services – Corp & Comm | 12,013 | (3,050) | 8,963 |
| 2,632 | (975) | 1,657 | Support Services – Environment | 2,743 | (1,219) | 1,524 |
| (11,512) | 11,512 | - | Elimination of Internal Transactions | (12,920) | 12,920 | - |
| **290,138** | **(83,383)** | **206,755** | **Net Cost of General Fund Services** | **307,418** | **(97,852)** | **209,566** |
| 13,308 | (11,392) | 1,916 | HRA | 14,360 | (12,041) | 2,319 |
| **303,446** | **(94,775)** | **208,671** | **Cost of Services** | **321,778** | **(109,893)** | **211,885** |
| | | (2,111) | Other operating expenditure (Note 12) | | | (395) |
| | | 14,416 | Financing and investment income and expenditure (Note 13) | | | 12,877 |
| | | (235,429) | Taxation and non-specific grant income (Note 14) | | | (230,714) |
| | | **(14,453)** | **(Surplus) or Deficit on Provision of Services** | | | **(6,347)** |
| | | (24,275) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets | | | (24,752) |
| | | 1,520 | Impairment losses on non-current assets charged to the Revaluation Reserve | | | 3,407 |
| | | - | Surplus or deficit on revaluation of available for sale financial assets | | | - |
| | | (52,831) | Actuarial (gains)/losses on pension assets/liabilities | | | 58,297 |
| | | **(75,586)** | **Other Comprehensive Income and Expenditure** | | | **36,952** |
| | | **(90,039)** | **Total Comprehensive Income and Expenditure** | | | **30,605** |

# Movement in Reserves Statement

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

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

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

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016 carried forward** | **(9,099)** | **(9,822)** | **(1,378)** | **(10,470)** | **(1,914)** | **(28,925)** | **(61,608)** | **(260,063)** | **(321,671)** |
| **Movement in reserves during 2016/17** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (9,073) | - | 2,726 | - | - | - | (6,347) | 36,952 | 30,605 |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 8,418 | (1,782) | (2,592) | 956 | (11) | 9,357 | 14,346 | (14,346) | - |
| **(Increase)/Decrease in 2016/17 (Note 11)** | **(655)** | **(1,782)** | **134** | **956** | **(11)** | **9,357** | **7,999** | **22,606** | **30,605** |
| **Balance at 31 March 2017 carried forward** | **(9,754)** | **(11,604)** | **(1,244)** | **(9,514)** | **(1,925)** | **(19,568)** | **(53,609)** | **(237,457)** | **(291,066)** |

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2015 carried forward** | **(9,034)** | **(7,022)** | **(953)** | **(9,538)** | **(1,441)** | **(25,980)** | **(53,968)** | **(177,664)** | **(231,632)** |
| **Movement in reserves during 2015/16** | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (16,809) | - | 2,356 | - | - | - | (14,453) | (75,586) | (90,039) |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 16,744 | (2,800) | (2,781) | (932) | (473) | (2,945) | 6,813 | (6,813) | - |
| **(Increase)/Decrease in 2015/16 (Note 11)** | **(65)** | **(2,800)** | **(425)** | **(932)** | **(473)** | **(2,945)** | **(7,640)** | **(82,399)** | **(90,039)** |
| **Balance at 31 March 2016 carried forward** | **(9,099)** | **(9,822)** | **(1,378)** | **(10,470)** | **(1,914)** | **(28,925)** | **(61,608)** | **(260,063)** | **(321,671)** |

# Balance Sheet

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

| 31 March 2016 £000 | | Notes | 31 March 2017 £000 |
|---|---|---|---|
| 555,670 | Property, Plant & Equipment | 15 | 596,587 |
| 262 | Heritage Assets | 16 | 234 |
| 84 | Intangible Assets | 17 | 143 |
| 247 | Investments | 19 | 246 |
| **556,263** | **Long Term Assets** | | **597,210** |
| 166 | Assets Held for Sale | 18 | 768 |
| 329 | Short Term Intangible Assets | | 359 |
| 315 | Inventories | | 349 |
| 13,466 | Short Term Debtors | 20 | 13,292 |
| 5,000 | Short Term Investments | | 5,000 |
| 38,953 | Cash and Cash Equivalents | 21 | 35,530 |
| **58,229** | **Current Assets** | | **55,298** |
| (2,097) | Short Term Borrowing | | (1,764) |
| (2,913) | Finance Leases including PFI/PPP | 19 | (3,126) |
| (40,103) | Short Term Creditors | 22 | (42,795) |
| (106) | Provisions – short terms | 23 | (155) |
| **(45,219)** | **Current Liabilities** | | **(47,840)** |
| (456) | Provisions – long term | 23 | (152) |
| (59,332) | Long Term Borrowing | 19 | (62,568) |
| (373) | Long Term Creditors | 22 | (341) |
| (75,950) | PFI/PPP Finance Lease | 19 | (72,825) |
| (108,590) | Defined Benefit Pension Liability | 38 | (173,922) |
| (2,901) | Capital Grant Receipts in Advance | 30 | (3,794) |
| **(247,602)** | **Long Term Liabilities** | | **(313,602)** |
| **321,671** | **Net Assets** | | **291,066** |
| (61,608) | Usable Reserves | 11 | (53,609) |
| (260,063) | Unusable Reserves | 24 | (237,457) |
| **(321,671)** | **Total Reserves** | | **(291,066)** |

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 22 June 2017
The audited accounts were authorised for issue on 28 September 2017

# 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.

| **2015/16 (Restated) £000** | | **2016/17 £000** |
|---|---|---|
| (14,453) | Net (surplus) or deficit on the provision of services | (6,347) |
| (24,546) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 25) | (18,196) |
| - | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| (38,999) | Net cash flows from Operating Activities | (24,543) |
| 11,251 | Investing Activities (Note 26) | 27,959 |
| 5,447 | Financing Activities (Note 27) | 7 |
| (22,301) | Net (increase) or decrease in cash and cash equivalents | 3,423 |
| (16,652) | Cash and cash equivalents at the beginning of the reporting period | (38,953) |
| **(38,953)** | **Cash and cash equivalents at the end of the reporting period (Note 21)** | **(35,530)** |

# Notes to the Accounts

## 1. ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Local Authority Accounts (Scotland) Regulations 1985 and the Local Government in Scotland Act 2003, section 12 of which requires the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. These policies have been prepared in accordance with IAS8 and IPSAS3.

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

### Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- When revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

# Notes to the Accounts (cont'd)

**Cash and Cash Equivalents**

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

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

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

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

**Charges to Revenue for Non-Current Assets**

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

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

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

**Employee Benefits**

**Benefits Payable During Employment**

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

# Notes to the Accounts (cont'd)

### Termination Benefits

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

### Post- Employment Benefits

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

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

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

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

### The Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.6% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
    - quoted securities - current bid price
    - unquoted securities - professional estimate
    - unitised securities - current bid price
    - property - market value

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

- Service cost comprising:

# Notes to the Accounts (cont'd)

**Current service cost -** the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
**Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributable Costs
**Gains/losses on settlements -** the decrease in liabilities as a result of the council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 38) - credited to the Surplus on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.
**Net interest on the net defined benefit liability**, i.e. net interest expenses for the authority. The change during the period is the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability at the beginning of the period – taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments.

- Remeasurements comprising:

**The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
**Actuarial gains and losses** – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

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

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

# Notes to the Accounts (cont'd)

**Discretionary Benefits**

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

**Common Good & Trusts**

The Council administers a Common Good Fund. As part of the management agreements where land and buildings are confirmed as belonging to the Common Good, and where the Council is incurring costs or receiving income relating to those assets as the managing agent, then the Common Good pays a nominal annual £1 fee to the Council (if asked) in return for the management of the assets. The Council remains responsible for all costs and any income relating to the assets and is entitled to the use of the assets. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet and the associated capital accounting entries are reflected in the Common Good Fund. The Common Good Fund shares the same accounting policies for valuation and depreciation with the Council. For assets held within the council's balance sheet that are subsequently identified as common good, the following principles will be followed :

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

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

**Financial Instruments**

**Financial Liabilities**

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

# Notes to the Accounts (cont'd)

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

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

**Loans Fund**

The local Authority (Capital Financing and Accounting) (Scotland) Regulations 2016 - loans fund accounting came into force on 1 April 2016 and replaced the statutory provisions for local authority borrowing, lending and loans funds as set out in Schedule 3 of the local Authority (Scotland) Act 1975. The regulations contain the following provisions in respect of the loans fund:-

- **Regulation 12** places a duty on a local authority to maintain a loans fund, which is to be administered in accordance with the proper accounting practices and prudent financial management
- **Regulation 13** requires a local authority to make loans fund advances each year for expenditure of or lending to third parties by, the local authority which it has determined should be met from borrowing.
- **Regulation 14** requires a local authority to determine for each loans fund advance the period over which it will be repaid and the amount of each repayment. Both the period and the annual amounts must be considered by the authority to be prudent.

**Financial Assets**

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

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

**Fair Value Measurement**

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

# Notes to the Accounts (cont'd)

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

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

**Government Grants and Contributions**

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service 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) 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.

**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.

# Notes to the Accounts (cont'd)

**The Carbon Reduction Commitment Scheme**

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

**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.

# Notes to the Accounts (cont'd)

**Intangible Assets**

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are not revalued, as the fair value of the assets held by the Authority cannot be determined by reference to an active market. The depreciable amount of any intangible asset is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

**Interests in Companies and Other Entities**

The Authority has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures requiring it to prepare group accounts. In the Authority's own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

**Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned under either the FIFO or weighted average costing formulas.
Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

**Leases**

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

# Notes to the Accounts (cont'd)

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

**Property, Plant and Equipment**

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

**Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to the asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement**

Assets are initially measured at cost, comprising:

- 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).

# Notes to the Accounts (cont'd)

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 annually.

**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.

# Notes to the Accounts (cont'd)

**Private Finance Initiative (PFI) and Similar Contracts**

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

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to these contractors. As the Authority is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an average interest charge of 7.24% 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

# Notes to the Accounts (cont'd)

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.

**Equal Pay**

The Single Status Agreement was implemented on a national basis on 1 July 1999. Included within the agreement was a commitment on all Scottish local authorities to undertake Job Evaluation and implement a new local pay and grading system free of gender bias. East Renfrewshire Council has progressed Job Evaluation and implemented a new pay and grading system effective from 1 July 2006.

To avoid potential equal pay litigation claims the Council entered into a compromise agreement with individual employees whereby the employee has agreed not to seek legal redress in return for a compensation payment which buys out their right to seek an employment tribunal award. The vast majority of qualifying employees accepted the compromise agreement offered and payments made have been reflected within the Annual Accounts to date.

**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.

# Notes to the Accounts (cont'd)

**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.

## 2. PRIOR PERIOD ADJUSTMENT

**Code of Practice**

To comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 the service analysis on the Comprehensive Income and Expenditure Statement (CIES) is now based on the organisational structure under which the Authority operates and manages its service. In previous years, the service analysis was based on the Service Reporting Code of Practice (SERCOP). The net cost of services in the CIES remains the same and it is only the segmental make up that has changed.

**Common Good**

The Council's legal team have identified an additional Common Good asset, previously included within the Council's Property, Plant and Equipment. This asset has now been removed from the Council's balance sheet and added to the Common Good Fund. For comparative purposes the following adjustments have been made to the already audited 2015/16 accounts.

| | 2015/16 Audited £000 | Reclassification | 2015/16 Restated £000 |
|---|---|---|---|
| Property, Plant and Equipment | 555,735 | (65) | 555,670 |
| Unusable Reserves | (260,128) | 65 | (260,063) |
| | **295,607** | **-** | **295,607** |

**Crossmill Business Park**

New information has now become available relating to expenditure in respect of the Crossmill Business Park Asset, funded through City Deal. This has allowed the Council to correct the classification of the asset.

| | 2015/16 Audited £000 | Reclassification | 2015/16 Restated £000 |
|---|---|---|---|
| **PROPERTY, PLANT & EQUIPMENT** | | | |
| Infrastructure Assets | 27,181 | (1,009) | 26,172 |
| Assets under Construction | 11,876 | 1,009 | 12,885 |
| | **39,057** | **-** | **39,057** |

# Notes to the Accounts (cont'd)

## 3. 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 2017/18 code:-

- Amendments to the reporting of pension fund scheme transaction costs
- Amendments to the reporting of investment concentration

The code requires implementation from 1 April 2017 and there is therefore no impact on the 2016/17 annual accounts.

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

## 4. 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.

## 5. 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 2017 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 | The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in |

# Notes to the Accounts (cont'd)

| | | |
|---|---|---|
| | 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 discount rate assumption would result in an increase in the pension liability of £74.08m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £26.715m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £44.999m |
| Arrears | At 31 March 2017, the Authority had a balance of sundry debtors of £3.49m. A review of significant balances suggested that an impairment of doubtful debts of 29.24% / £1.02m 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 £1.02m 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.

## 6. 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 | 1,611 |
| Sale Proceeds | (1,331) |
| (Profit)/loss on disposal | 280 |

## 7. EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 22 June 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

# Notes to the Accounts (cont'd)

## 8. 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.

| 2016/17 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|---|---|---|---|
| Education | 5,489 | 671 | (2,725) | 3,435 |
| Contribution to Integration Joint Board | 473 | 566 | 26 | 1,065 |
| Environment | 4,326 | 426 | (674) | 4,078 |
| Corporate & Community – Community Resources | 11 | 97 | (3) | 105 |
| Other Expenditure / Housing | 129 | 959 | (11,899) | (10,811) |
| Support Services – Chief Executive's Office | - | 104 | (17) | 87 |
| Support Services – Corp & Comm | 1,440 | 240 | (39) | 1,641 |
| Support Services – Environment | 80 | - | 1 | 81 |
| **Net Cost of General Fund Services** | **11,948** | **3,063** | **(15,330)** | **(319)** |
| HRA | 6,383 | 116 | (4,489) | 2,010 |
| **Cost of Services** | **18,331** | **3,179** | **(19,819)** | **1,691** |
| Other Operating Expenditure | 280 | - | - | 280 |
| Financing & Investment Income & Expenditure | - | 3,856 | 479 | 4,335 |
| Taxation & Non-Specific Grant Income | (10,350) | - | - | (10,350) |
| **(Surplus)/Deficit on Provision of Services** | **8,261** | **7,035** | **(19,340)** | **(4,044)** |

| 2015/16 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|---|---|---|---|
| Education | 5,732 | 1,482 | (3,449) | 3,765 |
| Contribution to Integration Joint Board | 263 | 1,211 | 43 | 1,517 |
| Environment | 4,189 | 903 | (1,186) | 3,906 |
| Corporate & Community – Community Resources | - | 179 | (12) | 167 |
| Other Expenditure / Housing | 203 | (1,915) | (16,248) | (17,960) |
| Support Services – Chief Executive's Office | - | 255 | (11) | 244 |
| Support Services – Corp & Comm | 1,280 | 560 | 31 | 1,871 |
| Support Services – Environment | - | - | 3 | 3 |
| **Net Cost of General Fund Services** | **11,667** | **2,675** | **(20,829)** | **(6,487)** |
| HRA | 5,689 | 234 | (2,563) | 3,360 |
| **Cost of Services** | **17,356** | **2,909** | **(23,392)** | **(3,127)** |
| Other Operating Expenditure | (1,450) | **-** | - | (1,450) |
| Financing & Investment Income & Expenditure | - | 4,936 | (233) | 4,703 |
| Taxation & Non-Specific Grant Income | (11,289) | - | - | (11,289) |
| **(Surplus)/Deficit on Provision of Services** | **4,617** | **7,845** | **(23,625)** | **(11,163)** |

# Notes to the Accounts (cont'd)

## 9. EXPENDITURE AND INCOME ANALYSED BY NATURE

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

| Expenditure/Income | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| **Expenditure** | | |
| Employee expenses | 142,339 | 141,606 |
| Other services expenses | 141,531 | 136,900 |
| Depreciation, amortisation, impairment | 18,331 | 17,356 |
| Interest payments | 9,792 | 10,242 |
| Gain on the disposal of assets | 280 | (1,450) |
| **Total expenditure** | **312,273** | **304,654** |
| **Income** | | |
| Fees, charges and other service income | (68,934) | (62,781) |
| Interest and investment income | (1,132) | (498) |
| Income from council tax | (42,325) | (41,966) |
| Government grants and contributions | (206,229) | (213,862) |
| **Total income** | **(318,620)** | **(319,107)** |
| **(Surplus)/Deficit on the Provision of Services** | **(6,347)** | **(14,453)** |

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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure. Movements can be traced through Note 24.

# Notes to the Accounts (cont'd)

| 2016/17 | General Fund Balance £000 | Housing Revenue Account £000 | Capital Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|---|---|
| **Adjustments primarily involving the Capital Adjustment Account** | | | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | |
| Charges for depreciation and impairment of non-current assets | (11,893) | (6,383) | | | | 18,276 |
| Amortisation of intangible assets (Note 17) | (55) | | | | | 55 |
| Capital grants and contributions applied (Note 32) | 9,080 | 1,270 | | | | (10,350) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 161 | (441) | | | | 280 |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | |
| Statutory provision for the financing of capital investment | 9,811 | 2,833 | | | | (12,644) |
| Capital expenditure charged against the General Fund and HRA balances | 2,920 | 450 | | | | (3,370) |
| Voluntary provision for repayment of debt (Note 24) | 224 | | | | | (224) |
| **Adjustments primarily involving the Capital Reserve:** | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 32) | | | 13,600 | | | (13,600) |
| **Adjustments primarily involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 24) | 9 | | | | | (9) |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 24) | (6,723) | (312) | | | | 7,035 |
| **Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:** | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 24) | (196) | (9) | | | | 205 |
| **Transfer in Reserves** | | | | | | |
| Net transfer to or from earmarked and other reserves | 3,298 | - | (4,243) | 956 | (11) | - |
| **Total Adjustments (see MIRS)** | **6,636** | **(2,592)** | **9,357** | **956** | **(11)** | **(14,346)** |

# Notes to the Accounts (cont'd)

| 2015/16 | General Fund Balance £000 | Housing Revenue Account £000 | Capital Reserve £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Movement in Unusable Reserves £000 |
|---|---|---|---|---|---|---|
| **Adjustments primarily involving the Capital Adjustment Account** | | | | | | |
| **Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | |
| Charges for depreciation and impairment of non-current assets | (11,607) | (5,689) | | | | 17,296 |
| Amortisation of intangible assets (Note 17) | (60) | - | | | | 60 |
| Capital grants and contributions applied (Note 32) | 10,272 | 1,017 | | | | (11,289) |
| 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 | 1,653 | (203) | | | | (1,450) |
| **Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:** | | | | | | |
| Statutory provision for the financing of capital investment | 10,168 | 2,610 | | | | (12,778) |
| Capital expenditure charged against the General Fund and HRA balances | 1,899 | | | | | (1,899) |
| Voluntary provision for repayment of debt (Note 24) | 224 | | | | | (224) |
| **Adjustments primarily involving the Capital Reserve:** | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 32) | | | 4,500 | | | (4,500) |
| **Adjustments primarily involving the Financial Instruments Adjustment Account:** | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 24) | 9 | | | | | (9) |
| **Adjustments primarily involving the Pensions Reserve:** | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 24) | (7,376) | (469) | | | | 7,845 |
| **Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:** | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 24) | (124) | (11) | | | | 135 |
| **Transfer in Reserves** | | | | | | |
| Net transfer to or from earmarked and other reserves | 8,886 | (36) | (7,445) | (932) | (473) | - |
| **Total Adjustments (see MIRS)** | **13,944** | **(2,781)** | **(2,945)** | **(932)** | **(473)** | **(6,813)** |

# Notes to the Accounts (cont'd)

## 11. MOVEMENT IN RESERVES STATEMENT – TRANSFER TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

| | Balance at 31 March 2015 £000 | Transfers Out 2015/16 £000 | Transfers In 2015/16 £000 | Balance at 31 March 2016 £000 | Transfers Out 2016/17 £000 | Transfers In 2016/17 £000 | Balance at 31 March 2017 £000 |
|---|---|---|---|---|---|---|---|
| **Non-earmarked Reserve** | **(9,034)** | **11,686** | **(11,751)** | **(9,099)** | **8,438** | **(9,093)** | **(9,754)** |
| Equalisation Reserve | (1,792) | - | (112) | (1,904) | - | (428) | (2,332) |
| Modernisation Fund | (3,162) | 547 | (2,018) | (4,633) | 269 | (2,326) | (6,690) |
| Unspent Grants | (179) | 179 | (1,484) | (1,484) | 1,484 | (323) | (323) |
| Whitelee Wind Farm | (623) | 253 | (229) | (599) | 201 | (325) | (723) |
| Commuted Sums | (1,266) | 585 | (521) | (1,202) | 401 | (735) | (1,536) |
| **General Fund Total** | **(16,056)** | **13,250** | **(16,115)** | **(18,921)** | **10,793** | **(13,230)** | **(21,358)** |
| HRA | (953) | - | (425) | (1,378) | 450 | (316) | (1,244) |
| Capital Reserve | (25,980) | 4,500 | (7,445) | (28,925) | 13,600 | (4,243) | (19,568) |
| Repairs and Renewal Fund | (9,538) | 2,444 | (3,376) | (10,470) | 2,213 | (1,257) | (9,514) |
| Insurance Fund | (1,441) | 36 | (509) | (1,914) | - | (11) | (1,925) |
| **Total** | **(53,968)** | **20,230** | **(27,870)** | **(61,608)** | **27,056** | **(19,057)** | **(53,609)** |

## 12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| (Gain)/Loss on disposal of Fixed Asset (See Note 6) | 280 | (1,450) |
| Rental Income – operating lease over property, plant and equipment | (675) | (661) |
| | **(395)** | **(2,111)** |

# Notes to the Accounts (cont'd)

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

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Interest payable and similar charges | 9,792 | 10,242 |
| Pension interest costs and expected return on pension assets | 3,856 | 4,936 |
| Interest receivable and similar income | (771) | (762) |
| **Total** | **12,877** | **14,416** |

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

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Council Tax income | (42,325) | (41,966) |
| Non domestic rates | (15,623) | (16,553) |
| Non ring-fenced government grants | (162,416) | (165,621) |
| Capital grants and contributions | (10,350) | (11,289) |
| **Total** | **(230,714)** | **(235,429)** |

# Notes to the Accounts (cont'd)

## 15. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

### Movements in 2016/17

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | PFI Assets Included in Property, Plant and Equipment £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| **At 1 April 2016** | **155,066** | **244,441** | **28,565** | **33,907** | **2,562** | **4,427** | **12,885** | **117,319** | **599,172** |
| Additions | 4,193 | 3,514 | 5,777 | 1,810 | 346 | - | 22,662 | 1,730 | 40,032 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 12,167 | 7,792 | - | - | - | (810) | - | 2,501 | 21,650 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (395) | 732 | - | - | - | (320) | - | - | 17 |
| Derecognition – disposals | (1,435) | (10) | (1,012) | - | - | - | - | - | (2,457) |
| Derecognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | (1,093) | - | - | - | - | - | - | - | (1,093) |
| Assets transferred to/from assets under construction | - | 9,173 | - | - | - | - | (9,173) | - | - |
| Depreciation written back on revaluation | (4,840) | (4,864) | - | - | - | - | - | (2,057) | (11,761) |
| **At 31 March 2017** | **163,663** | **260,778** | **33,330** | **35,717** | **2,908** | **3,297** | **26,374** | **119,493** | **645,560** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| At 1 April 2016 | (7,369) | (19) | (21,711) | (7,735) | - | - | - | (6,668) | (43,502) |
| Depreciation charge | (5,653) | (5,048) | (3,719) | (1,076) | - | - | - | (2,749) | (18,245) |
| Depreciation written out on revaluation and disposal | 4,841 | 4,864 | 1,012 | - | - | - | - | 2,057 | 12,774 |
| Derecognition | - | - | - | - | - | - | - | - | - |
| **At 31 March 2017** | **(8,181)** | **(203)** | **(24,418)** | **(8,811)** | **-** | **-** | **-** | **(7,360)** | **(48,973)** |
| **Net Book Value At 31 March 2017** | **155,482** | **260,575** | **8,912** | **26,906** | **2,908** | **3,297** | **26,374** | **112,133** | **596,587** |
| **At 31 March 2016** | **147,697** | **244,422** | **6,854** | **26,172** | **2,562** | **4,427** | **12,885** | **110,651** | **555,670** |

# Notes to the Accounts (cont'd)

## Comparative Movements in 2015/16

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | PFI Assets Included in Property, Plant and Equipment £000 | Total Property, Plant and Equipment £000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | | | | | |
| **At 1 April 2015** | **136,561** | **246,961** | **26,201** | **32,341** | **1,609** | **-** | **3,333** | **117,498** | **564,504** |
| Additions | 4,869 | 4,270 | 2,825 | 1,566 | 953 | - | 9,552 | 1,586 | 25,621 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 19,605 | 3,330 | - | - | - | - | - | (115) | 22,820 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (472) | (342) | - | - | - | - | - | - | (814) |
| Derecognition – disposals | (1,050) | (598) | (461) | - | - | - | - | - | (2,109) |
| Derecognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | (238) | - | - | - | - | - | - | - | (238) |
| Assets transferred (to)/from surplus | - | (4,427) | - | - | - | 4,427 | - | - | - |
| Other movements in cost of valuation | (4,209) | (4,753) | - | - | - | - | - | (1,650) | (10,612) |
| **At 31 March 2016** | **155,066** | **244,441** | **28,565** | **33,907** | **2,562** | **4,427** | **12,885** | **117,319** | **599,172** |
| **Accumulated Depreciation and Impairment** | | | | | | | | | |
| **At 1 April 2015** | **(6,488)** | **(5)** | **(18,921)** | **(6,690)** | **-** | **-** | **-** | **(5,996)** | **(38,100)** |
| Depreciation charge | (5,090) | (4,767) | (3,251) | (1,045) | - | - | - | (2,322) | (16,475) |
| Depreciation written out on revaluation and disposal | 4,209 | 4,753 | 461 | - | - | - | - | 1,650 | 11,073 |
| Derecognition | - | - | - | - | - | - | - | - | - |
| **At 31 March 2016** | **(7,369)** | **(19)** | **(21,711)** | **(7,735)** | **-** | **-** | **-** | **(6,668)** | **(43,502)** |
| **Net Book Value** | | | | | | | | | |
| **At 31 March 2016** | **147,697** | **244,422** | **6,854** | **26,172** | **2,562** | **4,427** | **12,885** | **110,651** | **555,670** |
| **At 31 March 2015** | **130,073** | **246,956** | **7,280** | **25,651** | **1,609** | **-** | **3,333** | **111,502** | **526,404** |

# 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 - 26 years
- Community Assets - 30 - 50 years

**Capital Commitments**

At 31 March 2017, the Authority was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2017/18 and future years. The major commitments include the following projects which have been stated at full project cost:-

| | **£000** |
|---|---|
| Primary School Newton Mearns (Joint faith campus) | 17,466 |
| Crookfur Primary School and Nursery Condition Improvement | 8,900 |
| Auchenback Family Centre and Community Hub | 5,280 |

Due to changes in European legislation the Barrhead High School Project (£22.7m) has now been amended so that the replacement school element will be fully funded by Scottish Government Grant. Ancillary facilities are being constructed under a separate contract, using Council Capital Funds (£7.952m).

**Revaluations**

The Authority carries out an annual programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

- the amount which an asset could be exchanged for, between knowledgeable, willing parties, in an arms 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)

## 16. HERITAGE ASSETS

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

| | Statues £000 | Civic Regalia £000 | Total Tangible Assets £000 | Number Plates £000 | Total Intangible Assets £000 | Total Heritage Assets £000 |
|---|---|---|---|---|---|---|
| **Cost or valuation At 1 April 2016** | **117** | **65** | **182** | **80** | **80** | **262** |
| **Revaluations** | (23) | - | (23) | (5) | (5) | (28) |
| **At 31 March 2017** | **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 2015** | **117** | **65** | **182** | **80** | **80** | **262** |
| **Revaluations** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 31 March 2016** | **117** | **65** | **182** | **80** | **80** | **262** |

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

# Notes to the Accounts (cont'd)

## 17. INTANGIBLE ASSETS

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £55k charged to revenue in 2016/17 was charged to two services, the Education Department (£1k), and the IT Administration cost centre (£54k).

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

| | 2016/17 Software Licences £000 | 2015/16 Software Licenses £000 |
|---|---|---|
| **Balance at start of year:** | | |
| • Gross carrying amounts | 929 | 867 |
| • Accumulated amortisation | (845) | (785) |
| Net carrying amount at start of year | 84 | 82 |
| Additions: | | |
| • Internal development | - | - |
| • Purchases | 114 | 62 |
| • Acquired through business combinations | - | - |
| Amortisation for the period | (55) | (60) |
| Other changes | - | - |
| Derecognition | | |
| • Gross Book Value | - | - |
| • Accumulated amortisation | - | - |
| Net carrying amount at end of year | **143** | **84** |
| Comprising: | | |
| • Gross carrying amounts | 1,044 | 929 |
| • Accumulated amortisation | (901) | (845) |
| **Balance at end of year:** | **143** | **84** |

# Notes to the Accounts (cont'd)

## 18. ASSETS HELD FOR SALE

| | Current Assets 2016/17 £000 | Current Assets 2015/16 £000 |
|---|---|---|
| **Balance outstanding at start of year** | **166** | **204** |
| Assets newly classified as held for sale: | | |
| • Property, Plant and Equipment | 1,093 | 237 |
| • Other assets/liabilities in disposal groups | | - |
| Revaluation losses | (277) | (66) |
| Revaluation gains | - | - |
| Impairment losses | (48) | (5) |
| Assets declassified as held for sale: | | |
| • Property, Plant and Equipment | - | - |
| • Other assets/liabilities in disposal groups | - | - |
| Assets sold | (166) | (204) |
| Transfers from non-current to current | - | - |
| **Balance outstanding at year-end:** | **768** | **166** |

# Notes to the Accounts (cont'd)

## 19. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

| | Long-term | | Current | |
|---|---|---|---|---|
| | 31 March 2017 £000 | 31 March 2016 £000 | 31 March 2017 £000 | 31 March 2016 £000 |
| Investments | | | | |
| Loans and receivables | 246 | 247 | 42,450 | 44,365 |
| **Total investments** | **246** | **247** | **42,450** | **44,365** |
| **Borrowings** | | | | |
| Financial liabilities at amortised cost (including Bank overdraft) | (62,568) | (59,332) | (3,702) | (2,527) |
| **Total Borrowings** | **(62,568)** | **(59,332)** | **(3,702)** | **(2,527)** |
| **Other Long Term Liabilities** | | | | |
| PFI and finance lease liabilities | (72,825) | (75,950) | (3,126) | (2,913) |
| **Total other long term liabilities** | **(72,825)** | **(75,950)** | **(3,126)** | **(2,913)** |

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

| | 2016/17 | | | 2015/16 | | |
|---|---|---|---|---|---|---|
| | **Financial Liabilities measured at amortised cost £000** | **Financial Assets: Loans and receivables £000** | **Total £000** | **Financial Liabilities measured at amortised cost £000** | **Financial Assets: Loans and receivables £000** | **Total £000** |
| Interest expenses | | | | 4,381 | - | 4,381 |
| **Total expense in Surplus or Deficit on the Provision of Services** | **4,135** | **-** | **4,135** | **4,381** | **-** | **4,381** |
| Interest income | - | (246) | (246) | - | (277) | (277) |
| **Total income in Surplus or Deficit on the Provision of Services** | **-** | **(246)** | **(246)** | **-** | **(277)** | **(277)** |
| **Net (gain)/loss for the year** | **4,135** | **(246)** | **3,889** | **4,381** | **(277)** | **4,104** |

# Notes to the Accounts (cont'd)

### Fair Values of Assets and Liabilities

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

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

**Mark to Model Valuation for Financial Instruments** – As at 31 March the Council held £43,611k financial assets and £65,247k financial liabilities for which Level 3* valuations will apply. All the financial assets are classed as Loans and Receivables and held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1* valuation is not available. To provide a fair value which provides a comparison to the carrying amount, we have used a financial model valuation provided by Capita 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 2017 | | 31 March 2016 | |
|---|---|---|---|---|
| | **Carrying amount £000** | **Fair Value £000** | **Carrying amount £000** | **Fair Value £000** |
| Financial liabilities | 65,247 | 99,758 | 61,429 | 88,534 |

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 2017) arising from a commitment to pay interest to lenders above current market rates.

# Notes to the Accounts (cont'd)

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

| | 31 March 2017 | | 31 March 2016 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair Value £000 | Carrying amount £000 | Fair Value £000 |
| Financial liabilities | 65,247 | 118,153 | 61,429 | 104,166 |

However, 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 £49.02m, the fair value using New Borrowing Rates would be £75.94m. 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 £89.62m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £49.02m. 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 2017 | | 31 March 2016 | |
|---|---|---|---|---|
| | Carrying amount £000 | Fair Value £000 | Carrying amount £000 | Fair Value £000 |
| Loans and receivables | 43,365 | 43,434 | 44,365 | 44,394 |
| Investments | 246 | 246 | 247 | 247 |
| | **43,611** | **43,680** | **44,612** | **44,641** |

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

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

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

# Notes to the Accounts (cont'd)

## 20. DEBTORS

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|---|---|
| Central government bodies | 5,592 | 5,990 |
| Other local authorities | 2,259 | 2,238 |
| NHS bodies | 1,143 | 1,513 |
| Public corporations and trading funds | 1 | - |
| Interest due from investments | 47 | 40 |
| Other entities and individuals | 4,250 | 3,685 |
| **Total** | **13,292** | **13,466** |

## 21. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

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

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|---|---|
| Cash held by the Authority | 18 | 18 |
| Bank current accounts | (1,938) | (430) |
| Short-term deposits | 37,450 | 39,365 |
| **Total** | **35,530** | **38,953** |

# Notes to the Accounts (cont'd)

## 22. CREDITORS

| | 31 March 2017 £000 Short-term | 31 March 2017 £000 Long-term | 31 March 2016 £000 Short-term | 31 March 2016 £000 Long-term |
|---|---|---|---|---|
| Central government bodies | (7,742) | - | (3,645) | - |
| Other local authorities | (1,326) | - | (1,957) | - |
| NHS bodies | (1,762) | - | (1,762) | - |
| Public corporations and trading funds | (249) | - | (256) | - |
| Interest due on Long-term borrowing | (952) | - | (1,008) | - |
| Other entities and individuals | (30,764) | (341) | (31,475) | (373) |
| **TOTAL** | **(42,795)** | **(341)** | **(40,103)** | **(373)** |

## 23. PROVISIONS

| | Teachers Maternity Pay £000 | Short-term provisions £000 | Equal pay £000 | SRC Operations £000 | Insurance Excess £000 | Long-term provisions £000 |
|---|---|---|---|---|---|---|
| **Balance at 31 March 2016** | **(106)** | **(106)** | **(161)** | **(159)** | **(136)** | **(456)** |
| Additional provisions made in 2016/17 | (155) | **(155)** | - | - | (11) | **(11)** |
| Amounts used in 2016/17 | 85 | **85** | 134 | - | - | **134** |
| Unused amounts reversed in 2016/17 | 21 | **21** | 27 | 154 | - | **181** |
| **Balance at 31 March 2017** | **(155)** | **(155)** | **-** | **(5)** | **(147)** | **(152)** |

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 £152k. These are made up firstly of £5k 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 £147k to cover insurance excess for outstanding claims made against the Council.

# Notes to the Accounts (cont'd)

## 24. BALANCE SHEET – UNUSABLE RESERVES

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| Revaluation Reserve | (115,846) | (97,880) |
| Capital Adjustment Account | (302,705) | (277,973) |
| Financial Instruments Adjustment Account | 1,696 | 1,929 |
| Pensions Reserve | 173,922 | 108,590 |
| Statutory Accumulating Compensated Absences Account | 5,476 | 5,271 |
| **Total Unusable Reserves** | **(237,457)** | **(260,063)** |

### 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 2017 | 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **(97,880)** | **(77,715)** |
| **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 | (24,752) | (24,275) |
| Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | 3,407 | 1,520 |
| **Amount written off to the Capital Adjustment Account:** | | |
| Difference between fair value depreciation and historical cost depreciation | 2,839 | 2,166 |
| Accumulated gains on assets sold or scrapped | 540 | 424 |
| **Balance at 31 March** | **(115,846)** | **(97,880)** |

# Notes to the Accounts (cont'd)

## Capital Adjustment Account

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

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

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

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **(277,973)** | **(260,823)** |
| 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 | 18,276 | 17,296 |
| • Revaluation losses on Property, Plant and Equipment | - | - |
| • PPP/PFI lifecycle costs | (1,730) | (1,586) |
| • Amortisation of intangible assets | 55 | 60 |
| • 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 | 1,611 | 1,853 |
| | (259,761) | (243,200) |
| Adjusting amounts written out of the Revaluation Reserve | (3,379) | (2,590) |
| Net written out amount of the cost of non-current assets consumed in the year | (263,140) | (245,790) |
| Capital financing applied in the year: | | |
| • Use of the Capital Receipts to finance new capital expenditure | (1,331) | (3,303) |
| • Grants applied to Capital Investment | (10,350) | (11,289) |
| • PPP/PFI Finance lease repayments | (2,912) | (2,803) |
| • Loan repayments for the financing of capital investment charged against the General Fund and HRA balances | (9,732) | (9,975) |
| • Capital Funded from Current Revenue/capital reserve | (15,240) | (4,813) |
| **Balance at 31 March** | **(302,705)** | **(277,973)** |

# Notes to the Accounts (cont'd)

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2017 will be charged to the General Fund over the next 7 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **1,929** | **2,162** |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements | (224) | (224) |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (9) | (9) |
| **Balance at 31 March** | **1,696** | **1,929** |

# Notes to the Accounts (cont'd)

### 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.

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| **Balance at 1 April** | **108,590** | **153,576** |
| Actuarial (gains) or losses on pension assets and liabilities | 58,297 | (52,831) |
| 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 | 17,198 | 17,978 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (10,163) | (10,133) |
| **Balance at 31 March** | **173,922** | **108,590** |

### 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.

| | 2016/17<br>£000 | 2015/16<br>£000 |
|---|---|---|
| **Balance at 1 April** | **5,271** | **5,136** |
| Settlement or cancellation of accrual made at the end of the preceding year | (5,271) | (5,136) |
| Amounts accrued at the end of the current year | 5,476 | 5,271 |
| **Balance at 31 March** | **5,476** | **5,271** |

# Notes to the Accounts (cont'd)

## 25. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Interest received | (220) | (272) |
| Interest paid | 4,590 | 4,864 |
| Interest element of finance lease rental and PPP/PFI payment | 5,495 | 5,695 |

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

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Depreciation and impairment | (18,276) | (17,296) |
| Amortisation of intangible assets | (55) | (60) |
| (Increase)/decrease in creditors | (3,136) | (7,415) |
| Increase/(decrease) in debtors | (31) | (4,822) |
| Increase/(decrease) in inventories | 34 | (80) |
| Movement in pension liability | (7,035) | (7,845) |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (280) | 1,450 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 10,583 | 11,522 |
| | **(18,196)** | **(24,546)** |

# Notes to the Accounts (cont'd)

## 26. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| Purchase of property, plant and equipment and intangible assets | 38,041 | 23,664 |
| Purchase of short-term and long-term investments | 41,354 | 209,053 |
| Proceeds from the sale of property, plant and equipment and intangible assets | (1,331) | (3,303) |
| Proceeds from short-term and long-term investments | (41,354) | (209,053) |
| Other receipts from investing activities | (8,751) | (9,110) |
| **Net cash flows from investing activities** | **27,959** | **11,251** |

## 27. CASH FLOW STATEMENT – FINANCING ACTIVITIES

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| **Financing activities as at 1 April** | **(135,045)** | **(140,492)** |
| Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract | 2,911 | 2,803 |
| Repayments of short and long-term borrowing | (2,904) | 2,644 |
| Other payments for financing activities | - | - |
| **Financing activities as at 31 March** | **(135,038)** | **(135,045)** |

## 28. AGENCY SERVICES

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

During 2016/17 the Council collected and paid over £16.4m (2015/16 £16.1m) and received £0.259m (2015/16 £0.259m) for providing the service.

## 29. EXTERNAL AUDIT COSTS

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| Agreed Audit Scotland audit fee for the year | 221 | 225 |
| Other Audit Services provided | - | - |

# Notes to the Accounts (cont'd)

## 30. GRANT INCOME

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

| | 2016/17 | 2015/16 |
|---|---|---|
| | £000 | £000 |
| **Credited to Taxation and Non Specific Grant Income** | | |
| Revenue Support Grant | 162,416 | 165,621 |
| Non Domestic Rates | 15,623 | 16,553 |
| Capital Grants and Contributions | 10,350 | 11,289 |
| **Total** | **188,389** | **193,463** |
| **Credited to Services** | | |
| Housing Benefit Subsidy | 15,251 | 15,037 |
| Housing Benefit Administration Grant | 205 | 242 |
| Active School Programme | - | 233 |
| Drug Treatment and Testing | - | 11 |
| Criminal Justice Grant | 504 | 465 |
| Private Sector Housing Grant | 294 | 321 |
| Education Maintenance Allowance | 462 | 508 |
| Strathclyde Passenger Transport | 196 | 516 |
| Miscellaneous Revenue Grants | 928 | 3,066 |
| **Total** | **206,229** | **213,862** |

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 2017 £000 |
|---|---|
| **Capital Grants Receipts in Advance** | |
| Developer's Contributions | 2,267 |
| Environmental Improvement Grant | 1,264 |
| Energy Grant | 234 |
| Miscellaneous | 29 |
| | **3,794** |

## 31. RELATED PARTIES

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

# 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 30.

**Members**
Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2016/17 is shown on page 35. 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 34.

**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 2016/17** | | **As at 31 March 2017** | |
|---|---|---|---|---|
| | **Charges to £m** | **Charges from £m** | **Due from £m** | **Due to £m** |
| East Renfrewshire Culture & Leisure Trust | (0.49) | 4.82 | (0.19) | 1.65 |
| East Renfrewshire Integration Joint Board | (47.03) | 47.03 | - | 3.62 |
| NHS Greater Glasgow and Clyde | (15.39) | 2.77 | (1.143) | 1.762 |
| Scottish Public Pension Agency | - | 12.13 | - | 1.04 |

## 32. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

# Notes to the Accounts (cont'd)

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

| **2015/16** | **Housing £000** | **General Fund £000** | **Total £000** |
|---|---|---|---|
| *Opening Capital Financing Requirement as at 31 March 2015* | 27,767 | 160,661 | 188,428 |
| *Capital investment* | | | |
| Property, Plant and Equipment | 4,946 | 20,675 | 25,621 |
| Intangible Assets | - | 62 | 62 |
| Revenue Expenditure Funded from Capital under Statute | - | - | - |
| | | | |
| *Sources of finance* | | | |
| Capital Reserve/Modernisation Fund/Repairs & Renewals | - | (4,500) | (4,500) |
| Capital receipts | (943) | (2,360) | (3,303) |
| Government grants and other contributions | (1,017) | (10,272) | (11,289) |
| | | | |
| ***Sums set aside from revenue*** | | | |
| Direct revenue contributions | - | (312) | (312) |
| Finance lease Principal Repayments (including PFI/PPP Projects) | - | (4,389) | (4,389) |
| Loans Fund Principal | (2,498) | (7,477) | (9,975) |
| | | | |
| **Closing Capital Financing Requirement as at 31 March 2016** | **28,255** | **152,088** | **180,343** |
| | | | |
| **Explanation of Movements in Year** | | | |
| Increase in underlying need to borrow | 488 | (5,770) | (5,282) |
| Assets acquired under lease and lease type arrangements | - | (2,803) | (2,803) |
| **Increase/(decrease) in Capital Financing Requirement** | **488** | **(8,573)** | **(8,085)** |

# Notes to the Accounts (cont'd)

## 33. LEASES

### AUTHORITY AS A LESSEE

### Operating Leases

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

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

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 382 | 333 |
| Later than one year and not later than five years | 1,290 | 1,365 |
| Later than five years | 2,402 | 2,633 |
| | **4,074** | **4,331** |

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

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| Minimum Lease payments | 411 | 423 |
| Contingent Rents | - | - |
| | **411** | **423** |

### AUTHORITY AS A LESSOR

### Operating Leases

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

# Notes to the Accounts (cont'd)

- for the provision of community services
- for economic development purposes to provide suitable affordable accommodation for local businesses

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

| | 31 March 2017 | 31 March 2016 |
|---|---|---|
| | £000 | £000 |
| Not later than one year | 160 | 96 |
| Later than one year and not later than five years | 328 | 538 |
| Later than five years | 7,006 | 7,286 |
| | **7,494** | **7,920** |

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 2016/17 no contingent rents were receivable by the Authority (2015/16 £32,884).

## 34. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### (I) Schools PFI Contract

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

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

| Movement in Value of Assets | £000 |
|---|---|
| Valuation at 1 April 2016 | 21,385 |
| Additions/Revaluations | 1,754 |
| Depreciation in Year | (555) |
| **NET BOOK VALUE AT 31 MARCH 2017** | **22,584** |

# Notes to the Accounts (cont'd)

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

The total value of payments over the remainder of the contract before inflation will be £23m and the total value of income from the Scottish Government will be £12.5m resulting in a net outstanding undischarged obligation before inflation of £10.5m.

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

**Estimated Cash Value of Payments Due to be Made**

| | Liability | Contingent Rent | Interest | Service Charges | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Within 1 year | 293 | 293 | 769 | 1,930 | 3,285 |
| Within 2 to 5 years | 3,577 | 2,725 | 2,482 | 5,198 | 13,982 |
| Within 6 to 10 years | 4,521 | 3,013 | 986 | 6,933 | 15,453 |
| **ESTIMATED TOTAL** | **8,391** | **6,031** | **4,237** | **14,061** | **32,720** |

### (II) Roads PFI Contract

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

The contract was signed on 30 April 2003 with Connect to construct and thereafter maintain the new roads for a period of 30 years commencing April 2005. At the end of the contract period the roads will revert to the respective authorities. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

| **Movement in Value of ERC Assets** | **£000** |
|---|---|
| Valuation at 1 April 2016 | 29,895 |
| Additions/Revaluations | 215 |
| Depreciation in Year | (692) |
| **NET BOOK VALUE AT 31 MARCH 2017** | **29,418** |

Payment for the project is made through an Annual Unitary Charge which is made up of a Fixed Availability Element and Unexpected 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 £1.8m.

**Estimated Cash Value of Payments Due to be Made**

| | Liability £000 | Contingent Rent £000 | Interest £000 | Service Charges £000 | Total £000 |
|---|---|---|---|---|---|
| Within 1 year | 965 | 295 | 1,469 | 701 | 3,430 |
| Within 2 to 5 years | 4,315 | 1,433 | 5,286 | 3,036 | 14,070 |
| Within 6 to 10 years | 5,817 | 2,219 | 5,174 | 5,184 | 18,394 |
| Within 11 to 15 years | 8,516 | 3,107 | 3,238 | 4,471 | 19,332 |
| Within 16 to 20 years | 6,269 | 2,176 | 643 | 3,311 | 12,399 |
| **ESTIMATED TOTAL** | **25,882** | **9,230** | **15,810** | **16,703** | **67,625** |

## (III) Schools PPP Project

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

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

| **Movement in Value of Assets** | **£000** |
|---|---|
| Valuation at 1 April 2016 | 59,371 |
| Additions/Revaluations | 2,261 |
| Depreciation in Year | (1,501) |
| **NET BOOK VALUE AT 31 MARCH 2017** | **60,131** |

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 £96.04m and the total value of income from the Scottish Government will be £51.31m leaving a net outstanding undischarged obligation of £44.73m.

# 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 | 1,867 | 1,331 | 3,050 | 2,743 | 8,991 |
| Within 2 to 5 years | 8,594 | 6,441 | 10,666 | 12,102 | 37,803 |
| Within 6 to 10 years | 13,158 | 10,378 | 9,443 | 18,686 | 51,665 |
| Within 11 to 15 years | 18,056 | 13,076 | 3,537 | 16,440 | 51,109 |
| **ESTIMATED TOTAL** | **41,675** | **31,226** | **26,696** | **49,971** | **149,568** |

## (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 is scheduled to be 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.

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

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

The total value of payments over the lifetime of the contract before inflation will be £52.625m and the total value of income from the Scottish Government will be £46.343m leaving a net outstanding undischarged obligation of £6.282m.

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.

# Notes to the Accounts (cont'd)

| | Estimated Cash Value of Payments Due to be Made | | | | |
|---|---|---|---|---|---|
| | Liability £000 | Contingent Rent £000 | Interest £000 | Service Charges £000 | Total £000 |
| Within 1 year | 342 | - | 952 | 92 | 1,386 |
| Within 2 to 5 years | 2,349 | 74 | 5,569 | 686 | 8,678 |
| Within 6 to 10 years | 2,911 | 92 | 6,072 | 2,058 | 11,133 |
| Within 11 to 15 years | 3,507 | 43 | 5,048 | 2,892 | 11,490 |
| Within 16 to 20 years | 5,098 | 186 | 3,674 | 2,934 | 11,892 |
| Within 20 to 25 years | 7,491 | 528 | 1,652 | 2,678 | 12,349 |
| Within 26 to 30 years | 609 | 30 | 20 | 232 | 891 |
| **ESTIMATED TOTAL** | **22,307** | **953** | **22,987** | **11,572** | **57,819** |

## 35. IMPAIRMENT LOSSES

### Impairment of Assets

Impairment losses/(reversals) of (£0.031m) 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 and Equipment Assets Held for Sale Intangibles | 4,242 | (4,211) | 31 |

## 36. TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2016/17 incurring liabilities of £0.6m (£2.2m in 2015/16). This was in respect of 45 officers (39 officers in 2015/16) from across the Council. The Remuneration Report at page 40 provides further details on exit packages.

## 37. PENSION SCHEME 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 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

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

# Notes to the Accounts (cont'd)

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

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

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

As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2016, the authority's own contributions equate to approximately 1.97%

## 38. DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

### Benefits

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

# Notes to the Accounts (cont'd)

### Governance

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

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

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

### Discretionary Post-retirement Benefits

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

### Transactions Relating to Post-Employment Benefits

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

# Notes to the Accounts (cont'd)

| **Included in net cost of services within Comprehensive Income and Expenditure Statement** | **Local Government Pension Scheme 2016/17 £000** | **2015/16 £000** |
|---|---|---|
| • Current service cost | 13,736 | 16,374 |
| • Past service costs (including curtailments) | 903 | 1,113 |
| • Effect of settlement | - | (3,134) |
| • Contributions in respect of unfunded benefits | (1,297) | (1,311) |
| *Included within Financing and Investment Income and Expenditure* | | |
| • Net interest cost | 3,856 | 4,936 |
| *Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services* | 17,198 | 17,978 |
| Included within Other Comprehensive Income and Expenditure | | |
| • Expected return on scheme assets | (76,991) | 2,759 |
| • Actuarial (gains) and losses on changes in demographic assumptions | - | - |
| • Actuarial (gains) and losses arising on changes in financial assumptions | 134,784 | (49,728) |
| • Other | 504 | (5,862) |
| *Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement* | 75,495 | (34,853) |
| **Movement in Reserves Statement** | | |
| • Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme | 10,163 | 10,133 |
| • Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services | (17,198) | (17,978) |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | (7,035) | (7,845) |

**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 2016/17 £000** | **2015/16 £000** |
|---|---|---|
| Present value of the defined benefit obligation | (655,487) | (498,531) |
| Fair value of plan assets | 481,565 | 389,941 |
| **Net liability arising from defined benefit obligation** | **(173,922)** | **(108,590)** |

# Notes to the Accounts (cont'd)

| Reconciliation of the Movements in the Fair Value of Scheme Assets. | Local Government Pension Scheme | |
|---|---|---|
| | 2016/17 £000 | 2015/16 £000 |
| **Opening fair value of scheme assets** | **389,941** | **396,556** |
| Effect of Settlement | - | (16,909) |
| Interest income | 13,665 | 12,299 |
| Remeasurement gain/(loss) | | |
| • The return on plan assets, excluding the amount included in the net interest expenses | 76,991 | (2,759) |
| • Other | - | - |
| The effect of changes in foreign exchange rates | - | - |
| Contributions from employer | 10,163 | 10,133 |
| Contributions from employees into the scheme | 3,122 | 3,132 |
| Benefits paid | (12,317) | (12,511) |
| **Closing fair value of scheme assets** | **481,565** | **389,941** |

| Reconciliation of Present Value of the Scheme Liabilities | Funded liabilities: Local Government Pension Scheme | |
|---|---|---|
| | 2016/17 £000 | 2015/16 £000 |
| Opening balance at 1 April | **(498,531)** | **(550,132)** |
| Effect of Settlement | - | 20,043 |
| Current service cost | (13,736) | (16,374) |
| Interest cost | (17,521) | (17,235) |
| Contributions from scheme participants | (3,122) | (3,132) |
| Remeasurement gains and (losses) | | |
| • Actuarial (gains) and losses on changes in demographic assumptions | - | - |
| • Actuarial (gains) and losses arising on changes in financial assumptions | (134,784) | 49,728 |
| • Other | (504) | 5,862 |
| Past service cost | (903) | (1,113) |
| Benefits paid | 13,614 | 13,822 |
| **Closing balance at 31 March** | **(655,487)** | **(498,531)** |

# Notes to the Accounts (cont'd)

Local Government Pension Scheme assets comprised:

| Asset Category | 31-Mar-17 Quoted Prices in Active Markets £000 | 31-Mar-17 Prices not quoted in Active Markets £000 | 31-Mar-17 Total £000 | 31-Mar-17 % | 31-Mar-16 Quoted Prices in Active Markets £000 | 31-Mar-16 Prices not quoted in Active Markets £000 | 31-Mar-16 Total £000 | 31-Mar-16 % |
|---|---|---|---|---|---|---|---|---|
| **Equity Securities:** | | | | | | | | |
| Consumer | 45,544 | 3 | 45,547 | 9 | 36,563 | 9 | 36,572 | 9 |
| Manufacturing | 36,075 | 76 | 36,150 | 8 | 28,961 | 253 | 29,214 | 7 |
| Energy and Utilities | 14,312 | - | 14,312 | 3 | 11,490 | - | 11,490 | 3 |
| Financial Institutions | 33,512 | 1 | 33,513 | 7 | 26,904 | 2 | 26,906 | 7 |
| Health and Care | 19,584 | 3 | 19,586 | 4 | 15,722 | 9 | 15,731 | 4 |
| Information Technology | 27,690 | 10 | 27,700 | 6 | 22,230 | 34 | 22,263 | 6 |
| Other | - | - | - | - | - | - | - | - |
| **Debt Securities** | | | | | | | | |
| Corporate Bonds (investment grade) | - | - | - | - | - | - | - | - |
| Corporate Bonds (non-investment grade) | - | 4 | 4 | - | - | 1 | 1 | - |
| UK Government | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| **Private Equity:** | | | | | | | | |
| All | - | 39,704 | 39,704 | 8 | - | 37,930 | 37,930 | 10 |
| **Real Estate:** | | | | | | | | |
| UK Property | - | 58,085 | 58,085 | 12 | - | 41,891 | 41,891 | 11 |
| Overseas Property | - | - | - | - | - | - | - | - |
| **Investment funds and unit trusts:** | | | | | | | | |
| Equities | 4,660 | 150,169 | 154,829 | 32 | 3,392 | 97,823 | 101,215 | 26 |
| Bonds | - | 27,038 | 27,038 | 6 | - | 47,592 | 47,592 | 12 |
| Hedge Funds | - | - | - | - | - | - | - | - |
| Commodities | 324 | - | 324 | - | 133 | - | 133 | - |
| Infrastructure | - | - | - | - | - | - | - | - |
| Other | 607 | 5,922 | 6,530 | 1 | - | 5,473 | 5,473 | 1 |
| **Derivative** | | | | | | | | |
| Inflation | - | - | - | - | - | - | - | - |
| Interest rate | - | - | - | - | - | - | - | - |
| Foreign exchange | - | 64 | 64 | - | - | - | - | - |
| Other | 40 | - | 40 | - | 94 | - | 94 | - |
| **Cash and cash equivalents** | | | | | | | | |
| All | 17,338 | 800 | 18,138 | 4 | 13,021 | 416 | 13,436 | 3 |
| Totals | 199,686 | 281,879 | 481,565 | 100 | 158,508 | 231,433 | 389,941 | 100 |

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

# Notes to the Accounts (cont'd)

### 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 2014.

The principal assumptions used by the actuary have been:-

| | **Local Government Pension Scheme** | |
|---|---|---|
| | **2016/17** | **2015/16** |
| Investment returns | 23.2% (estimate) | 2.6% (estimate) |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| • Men | 22.1 years | 22.1 years |
| • Women | 23.6 years | 23.6 years |
| Longevity at 65 for future pensioners: | | |
| • Men | 24.8 years | 24.8 years |
| • Women | 26.2 years | 26.2 years |
| Rate of increase in salaries | 4.4% | 4.2% |
| Rate of increase in pensions | 2.4% | 2.2% |
| Rate for discounting scheme liabilities | 2.6% | 3.5% |

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 2017:** | **Approximate % increase to Employer Liability** | **Approximate monetary amount £000** |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 11 | 74,080 |
| 0.5% increase in the Salary Increase Rate | 4 | 26,715 |
| 0.5% increase in the Pension Increase Rate | 7 | 44,999 |

### 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

# Notes to the Accounts (cont'd)

obligation. As is required by the pensions and investment regulations, the suitability of various types of investment has been considered, as has the need to diversify investments to reduce the risk of being invested into too narrow a range. The Fund invests in equities, bonds, properties and in cash.

**Impact on the Authority's Cash Flow**

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for the next three years following completion of the triennial valuation as at 31 March 2014.

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 2018 is £9.676 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.4 years (19.4 years 2015/16).

## 39. CONTINGENT LIABILITIES

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. Further contingent liabilities exist in relation to the Council's share of any potential future asbestos related claims against the former Strathclyde Regional Council. In addition, a contingent liability exists for any potential future equal pay claims that may be received.

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

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

## 40. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- credit risk - the possibility that other parties might fail to pay amounts due to the Authority

# Notes to the Accounts (cont'd)

- 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:

- 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 or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year, as is a mid-year update.

The annual treasury management strategy including the prudential indicators was approved by Council on 9 March 2016 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2016/17 was set at £212.050m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £194.710m. 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.

# Notes to the Accounts (cont'd)

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.

Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined below:

| Financial Asset Category | Criteria | | | Maximum Investment |
|---|---|---|---|---|
| | | Fitch | Moody's | |
| Deposits with Bank and Money Market Funds | Short Term:<br>Long Term: | F1<br>A- | P-1 / P-2<br>A3 | £1 - £10m for each individual bank. £30m total for money market funds with maximum of £5m per fund. |

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.

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

| | Amount at 31 March 2017 £000 | Historical experience of default % | Historical experience adjusted for market conditions at 31 March 2017 % | Estimated maximum exposure to default and uncollectability at 31 March 2017 £000 | Estimated maximum exposure at 31 March 2016 £000 |
|---|---|---|---|---|---|
| Deposits with Banks | 15,000 | 0.020 | 0.020 | 3 | 0 |
| Building Societies | 5,000 | 0.010 | 0.010 | 1 | 0 |
| Deposits with Money Market Funds | 865 | 0.000 | 0.000 | 0 | 0 |
| Deposits with local Authorities / Subsidiary | 21,585 | 0.001 | 0.001 | 0 | 0 |
| Customers – Sundry Debtors | 3,488 | 6.900 | 6.900 | 241 | 333 |
| | 45,938 | - | - | 245 | 333 |

# Notes to the Accounts (cont'd)

The Council does not generally allow credit for customers, such that as at 31 March 2017 £1.271m of the £3.488m (£1.463m of £3.876m as at 31 March 2016) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by ages as follows:

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|---|---|
| **Less than 3 months and past due date** | 141 | 227 |
| **Three to six months** | 112 | 178 |
| **Six months to one year** | 130 | 135 |
| **More than one year** | 888 | 923 |
| | 1,271 | 1,463 |

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

**Liquidity Risk**

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

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

The maturity analysis of financial liabilities is as follows:

| | 31 March 2017 £000 | 31 March 2016 £000 |
|---|---|---|
| **Less than one year** | 1,764 | 2,097 |
| **Between one and two years** | 2,618 | 1,764 |
| **Between two and five years** | 2,724 | 4,780 |
| **More than five years** | 57,226 | 52,788 |
| | 64,332 | 61,429 |

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

# Notes to the Accounts (cont'd)

**Market Risk**

**Interest Rate Risk**

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

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

Borrowings are not carried at fair value, 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 | 228 |
| Increase in interest receivable on variable rate investments | (59) |
| Increase in government grant receivable for financing costs | (494) |
| Impact on Surplus or Deficit on the Provision of Services | (325) |
| Share of overall impact debited to the HRA | (84) |
| | |
| Decrease in fair value of fixed rate investment assets | 376 |
| | |
| 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) | 759 |

# Notes to the Accounts (cont'd)

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

**Price Risk**

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

**Foreign Exchange Risk**

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

## 41. HERITAGE ASSETS: FIVE YEAR SUMMARY OF TRANSACTIONS

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2012/13 to 2016/17.

# 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 | 2016/17 £000 | 2015/16 £000 |
|---|---|---|---|
| **Income** | | | |
| Dwelling Rents | | (10,309) | (9,934) |
| Non-dwelling Rents | | (148) | (116) |
| Housing Support Grant | | - | - |
| Charges for Welfare Services | | - | - |
| Hostels | | - | - |
| Other Income | | (1,584) | (1,342) |
| Sums directed by the Scottish Government Minister that are income in accordance with IFRS | | - | - |
| **Total Income** | | **(12,041)** | **(11,392)** |
| | | | |
| **Expenditure** | | | |
| Repairs and Maintenance | | 4,460 | 4,562 |
| Supervision and Management | | 2,843 | 2,719 |
| Depreciation and Impairment on Non-Current Assets | | 6,384 | 5,689 |
| Movements in the Impairment of Debtors | 4 | (132) | 95 |
| Other expenditure | | 805 | 243 |
| Sums directed by the Scottish Government Minister that are expenditure in accordance with IFRS | | - | - |
| **Total Expenditure** | | **14,360** | **13,308** |
| | | | |
| **Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement** | | **2,319** | **1,916** |
| HRA Services' Share of Corporate and Democratic Core | | 17 | 16 |
| HRA Share of Other Amounts included in the Whole Authority Net Cost of Services (but not allocated to specific services) | | - | - |
| **Net Cost for HRA Services** | | **2,336** | **1,932** |
| | | | |
| 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 | | 441 | 203 |
| • Interest Payable and Similar Charges | | 1,237 | 1,217 |
| • Interest and Investment Income | | (22) | (22) |
| • Impairment | | - | - |
| • Pension Interest Cost and Expected Return on Pension Assets | | 196 | 235 |
| • Rental Income – operating lease over Property, Plant and Equipment | | (192) | (192) |
| • Capital Grants and Contributions Receivable | | (1,270) | (1,017) |
| **(Surplus) or Deficit for the Year on HRA Services** | | **2,726** | **2,356** |

# Notes to the Housing Revenue Account

### Movement on the Housing Revenue Account Statement

| | HRA Notes | 2016/17 £000 | 2015/16 £000 |
|---|---|---|---|
| (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement | | 2,726 | 2,356 |
| Adjustments between Accounting Basis and Funding Basis Under Statute | 1 | (2,592) | (2,745) |
| Net (Increase) or Decrease Before Transfers to or from Reserves | | 134 | (389) |
| Transfers to or (from) Reserves | | - | (36) |
| (Increase) or Decrease in Year on the HRA | | 134 | (425) |
| Balance on the HRA at the end of the Previous Year | | (1,378) | (953) |
| **Balance on the HRA at the end of the Current Year** | | **(1,244)** | **(1,378)** |

### Housing Revenue Account Disclosures

#### 1. Adjustments between Accounting Basis and Funding Basis under Statute

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Gain or loss on sale of HRA non-current assets | (441) | (203) |
| Capital expenditure funded by the HRA | 450 | - |
| Transfer to/from the Capital Adjustment Account: | | |
| • Depreciation | (6,383) | (5,689) |
| • Capital Grants and Contributions | 1,270 | 1,017 |
| • Repayment of Debt | 2,833 | 2,610 |
| HRA share of contributions to or from the Pensions Reserve | (312) | (469) |
| Transfer to/from the Statutory Compensated Absences Account | (9) | (11) |
| Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements | - | - |
| | **(2,592)** | **(2,745)** |

#### 2. Housing Stock

Council's housing stock at 31 March 2017 was 2,973 (2,993 at March 2016) in the following categories:

| | 2016/17 Number | 2015/16 Number |
|---|---|---|
| 1 Apartment | 173 | 175 |
| 2 Apartment | 913 | 907 |
| 3 Apartment | 1,282 | 1,298 |
| 4 Apartment | 524 | 529 |
| 5 Apartment | 77 | 79 |
| 6 Apartment | 4 | 5 |
| **Total** | **2,973** | **2,993** |

# Notes to the Housing Revenue Accounts (cont'd)

### 3. Rent Arrears

At the year end rent arrears amounted to £631,177 (2015/16 - £871,200) of which the current rent arrears were £392,695 (2015/16 - £396,346) representing 3.7% (2015/16 3.8%) of gross rent due and former tenant arrears amounted to £221,449 (2015/16 - £462,886). In addition, the figure contains £17,033 (2015/16 - £11,968) in respect of outstanding Housing Benefit Overpayments.

### 4. Impairment of Debtors

In the financial year 2016/17, the bad debt provision for the Housing Revenue Account was decreased by £132,002, in line with reducing debt levels due to a change in write-off policy. This has resulted in a bad debt provision balance of £622,689 (2015/16 £754,691).

### 5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £156,127 (2015/16 £187,174).

# 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.

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Gross rates levied and the contributions in lieu | 20,444 | 18,190 |
| Less: | | |
| • Reliefs and other deductions | (4,981) | (3,786) |
| • Payments of interest | - | - |
| • Write-offs of uncollectable debts and allowance for impairment | (507) | (274) |
| **Net Non Domestic Rate Income collected** | **14,956** | **14,130** |
| Collection adjustment to meet Provisional Contribution Amount | 745 | 894 |
| **Contribution to Non Domestic Rate pool** | **15,701** | **15,024** |
| | | |
| Distribution from Non Domestic Rate pool | 15,623 | 16,553 |
| Adjustments for years prior to the pool | - | - |
| **Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14)** | **15,623** | **16,553** |

**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 2016/17 was £0.484 (2015/16 £0.48)

| | Number | Rateable Value as at 1 April 2016 £ |
|---|---|---|
| Shops | 587 | 15,975,650 |
| Offices | 352 | 3,911,900 |
| Hotels, Boarding Houses etc. | 9 | 464,730 |
| Industrial and Freight Transport | 154 | 1,678,480 |
| Subject Miscellaneous | 371 | 15,202,137 |
| Subjects Other | 262 | 3,840,045 |
| **Total** | **1,735** | **41,072,942** |

# 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.

| | 2016/17<br>£000 | 2015/16<br>£000 |
|---|---|---|
| Gross Council Tax levied and contributions in lieu | 51,636 | 51,115 |
| Adjustments for prior years Council Tax | (74) | (31) |
| Adjusted for: | | |
| • Council Tax Reduction Scheme | (3,463) | (3,590) |
| • Council Tax Benefits (Net of Government Grants) | 12 | 21 |
| • Other discounts and reductions | (5,215) | (5,193) |
| • Uncollectable debt and allowance for impairment | (571) | (356) |
| Community Charge recovered | - | - |
| **Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14)** | **42,325** | **41,966** |

**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 2016/17 was £1,126.00 (2015/16 £1,126.00).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 10% are applied to unoccupied properties. Certain persons are disregarded for Council Tax purposes, including people who are in detention, students and people who are severely mentally impaired. Reductions in council tax payable are also available for people with disabilities.

Charges for water and sewerage services are the responsibility of Scottish Water. East Renfrewshire Council collects total monies and makes a precept payment to Scottish Water on the basis of collection levels based on a pre-determined formula. The figures below exclude the water and sewerage charges.

# Council Tax (cont'd)

### Calculation of the Council Tax Base 2016/17*

| | No. of Dwellings | No. of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|---|---|---|---|---|---|---|---|---|
| BAND A | 1,356 | (132) | 22 | (200) | (26) | 1,020 | 6/9 | 680 |
| BAND B | 5,218 | (243) | 2 | (617) | (39) | 4,321 | 7/9 | 3,361 |
| BAND C | 4,010 | (104) | 43 | (412) | (31) | 3,506 | 8/9 | 3,116 |
| BAND D | 6,435 | (116) | (21) | (601) | (26) | 5,671 | 9/9 | 5,671 |
| BAND E | 8,126 | (92) | (12) | (526) | (24) | 7,472 | 11/9 | 9,133 |
| BAND F | 6,024 | (58) | (29) | (292) | (17) | 5,628 | 13/9 | 8,130 |
| BAND G | 6,202 | (57) | (5) | (265) | (25) | 5,850 | 15/9 | 9,750 |
| BAND H | 690 | (5) | - | (16) | (5) | 664 | 18/9 | 1,328 |
| | | | | | | | **TOTAL** | **41,169** |
| | | | | | | | Provision for non-collection | (823) |
| | | | | | | | (2%) Council Tax Base | 40,346 |

*Source: A questionnaire requested by the Scottish Government entitled Council Tax Base 2015

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 2016/17 was £1,126.

| | | | |
|---|---|---|---|
| BAND A | £750.67 | BAND E | £1,376.22 |
| BAND B | £875.78 | BAND F | £1,626.44 |
| BAND C | £1,000.89 | BAND G | £1,876.67 |
| BAND D | £1,126.00 | BAND H | £2,252.00 |

# 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.

During the current financial year the Council's Legal team identified an additional Common Good Asset, previously included within the Council's Property, Plant and Equipment. This asset has now been removed from the Council's Balance Sheet and added to the tables below. Further information can be obtained in Note 2 of the Council's Accounts.

### Movement in Reserves statement for the year ending 31 March 2017

| | 2016/17 Unusable Reserve £000 | 2015/16 Unusable Reserve £000 |
|---|---|---|
| **Balance at 1 April** | **(1,689)** | **(1,734)** |
| Deficit / (surplus) on the provision of services | 58 | 63 |
| Other comprehensive income and expenditure | (23) | (18) |
| **Balance at 31 March** | **(1,654)** | **(1,689)** |

### Comprehensive Income and Expenditure Statement for the year ending 31 March 2017

| | Expenditure £000 | 2016/17 Income £000 | Net £000 | Expenditure £000 | 2015/16 Income £000 | Net £000 |
|---|---|---|---|---|---|---|
| Net costs of services | 62 | (4) | 58 | 63 | - | 63 |
| **(Surplus) or deficit** | | | **58** | | | **63** |
| (Surplus) / deficit on revaluation of fixed assets | | | (23) | | | (18) |
| **Total Comprehensive Income and Expenditure** | | | **35** | | | **45** |

### Balance Sheet

| | 2016/17 £000 | 2015/16 £000 |
|---|---|---|
| Property, Plant and Equipment | 1,654 | 1,689 |
| **Net Assets** | **1,654** | **1,689** |
| Unusable Reserve: Revaluation Reserve and Capital Adjustment Account | 1,654 | 1,689 |
| **Net Reserves** | **1,654** | **1,689** |

# Common Good Fund (cont'd)

## PROPERTY, PLANT & EQUIPMENT

### Movement on Balances (Common Good)

| | Land and Buildings 2016/17 £000 | Land and Buildings 2015/16 £000 |
|---|---|---|
| Cost or Valuation at 1 April | 1,689 | 1,734 |
| Additions | - | - |
| Donations | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 23 | 18 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 3 | (1) |
| Derecognition – disposals | - | - |
| Derecognition – other | - | - |
| Assets reclassified (to)/from Held for Sale | - | - |
| Other movements in cost or valuation | (61) | (62) |
| **As at 31 March** | **1,654** | **1,689** |
| Accumulated Depreciation and Impairment at 1 April | - | - |
| Depreciation charge | (61) | (55) |
| Depreciation written out on revaluation and disposal | 61 | 55 |
| Derecognition – other (transfers) | - | - |
| **As at 31 March** | **-** | **-** |
| **Net Book Value at 31 March 2017** | **1,654** | |
| **Net Book Value at 31 March 2016** | **1,689** | **1,689** |
| **Net Book Value at 31 March 2015** | | **1,734** |

# Group Expenditure and Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources (Government Grants, Rents, Council Tax and Business Rates) by local authorities and its group in comparison with those resources consumed or earned in accordance with generally accepted practices. It also shows how this expenditure is allocated for decision making purposes between the Council's departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2015/16 | | | | 2016/17 | | |
|---|---|---|---|---|---|---|
| **Net Expenditure Chargeable to the General Fund and HRA Balances** | **Adjustments Between Funding & Accounting Basis** | **Net Expenditure in the Comprehensive Income & Expenditure Statement** | | **Net Expenditure Chargeable to the General Fund and HRA Balances** | **Adjustments Between Funding & Accounting Basis** | **Net Expenditure in the Comprehensive Income & Expenditure Statement** |
| 106,150 | 3,765 | 109,915 | Education | 106,449 | 3,435 | 109,884 |
| 23,535 | - | 23,535 | HSCP - Contribution to Integration Joint Board | 47,030 | - | 47,030 |
| 20,013 | 1,517 | 21,530 | HSCP – Provision of Services | (1,659) | 1,065 | (594) |
| 21,508 | 3,906 | 25,414 | Environment | 21,266 | 4,078 | 25,344 |
| 3,097 | 167 | 3,264 | Corporate & Community – Community Resources | 2,637 | 105 | 2,742 |
| 23,914 | (17,960) | 5,954 | Other Expenditure / Housing | 18,210 | (10,811) | 7,399 |
| 3,263 | 244 | 3,507 | Support Services – Chief Executive's Office | 2,840 | 87 | 2,927 |
| 6,674 | 1,871 | 8,545 | Support Services – Corp & Comm | 7,349 | 1,641 | 8,990 |
| 1,653 | 3 | 1,656 | Support Services – Environment | 1,456 | 81 | 1,537 |
| | | | Share of operating results of subsidiaries:- | | | |
| 3,112 | - | 3,112 | ERC Leisure Trust | 4,416 | 392 | 4,808 |
| - | 63 | 63 | Common Good | - | 58 | 58 |
| (1) | 2 | 1 | Trust Funds | 8 | 2 | 10 |
| **212,918** | **(6,422)** | **206,496** | **Net Cost of General Fund Services** | **210,002** | **133** | **210,135** |
| (1,445) | 3,360 | 1,915 | HRA | 308 | 2,010 | 2,318 |
| **211,473** | **(3,062)** | **208,411** | **Cost of Services** | **210,310** | **2,143** | **212,453** |
| (661) | (1,450) | (2,111) | Other operating expenditure | (675) | 280 | (395) |
| 9,713 | 4,703 | 14,416 | Financing and investment income and expenditure | 8,542 | 4,335 | 12,877 |
| - | (2) | (2) | Group investment income | - | (2) | (2) |
| (224,140) | (11,289) | (235,429) | Taxation and non-specific grant income | (220,364) | (10,350) | (230,714) |
| **(3,615)** | **(11,100)** | **(14,715)** | **(Surplus) / Deficit on Provision of Services** | **(2,187)** | **(3,594)** | **(5,781)** |
| 309 | (701) | (392) | Share of operating results of associates | 209 | (1,068) | (859) |
| (571) | - | (571) | Share of operating results of joint venture | (1,609) | - | (1,609) |
| **(3,877)** | **(11,801)** | **(15,678)** | **Group (Surplus) / Deficit** | **(3,587)** | **(4,662)** | **(8,249)** |
| **(20,405)** | | | **Opening General Fund and HRA Balance** | **(24,282)** | | |
| (3,877) | | | (Surplus) / Deficit on General Fund and HRA Balance in Year | (3,587) | | |
| (24,282) | | | **Closing General Fund and HRA Balance*** | (27,869) | | |

*For a split of this balance the general fund and the HRA – see Movement in Reserves

# 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 2016 (Restated) | | | | Year ended 31 March 2017 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure** | **Gross Income** | **Net Expenditure** | | **Gross Expenditure** | **Gross Income** | **Net Expenditure** |
| 128,589 | (18,674) | 109,915 | Education | 130,447 | (20,563) | 109,884 |
| 23,535 | - | 23,535 | HSCP - Contribution to Integration Joint Board | 47,030 | - | 47,030 |
| 57,436 | (35,906) | 21,530 | HSCP – Provision of Services | 59,085 | (59,679) | (594) |
| 34,729 | (9,315) | 25,414 | Environment | 34,201 | (8,857) | 25,344 |
| 3,784 | (520) | 3,264 | Corporate & Community – Community Resources | 3,401 | (659) | 2,742 |
| 36,247 | (30,293) | 5,954 | Other Expenditure / Housing | 28,670 | (21,271) | 7,399 |
| 3,790 | (283) | 3,507 | Support Services – Chief Executive's Office | 3,186 | (259) | 2,927 |
| 11,306 | (2,761) | 8,545 | Support Services – Corp & Comm | 12,054 | (3,064) | 8,990 |
| 2,634 | (978) | 1,656 | Support Services – Environment | 2,758 | (1,221) | 1,537 |
| | | | Share of operating results of subsidiaries:- | | | |
| 5,876 | (2,764) | 3,112 | ERC Leisure Trust | 8,167 | (3,359) | 4,808 |
| 63 | - | 63 | Common Good | 62 | (4) | 58 |
| 9 | (8) | 1 | Trust Funds | 30 | (20) | 10 |
| (11,512) | 11,512 | - | Elimination of internal transactions | (12,920) | 12,920 | - |
| **296,486** | **(89,990)** | **206,496** | **Net Cost of General Fund Services** | **316,171** | **(106,036)** | **210,135** |
| 13,308 | (11,393) | 1,915 | HRA | 14,360 | (12,042) | 2,318 |
| **309,794** | **(101,383)** | **208,411** | **Cost of Services** | **330,531** | **(118,078)** | **212,453** |
| | | (2,111) | Other operating expenditure | | | (395) |
| | | 14,414 | Financing and investment income and expenditure | | | 12,875 |
| | | (235,429) | Taxation and non-specific grant income | | | (230,714) |
| | | **(14,715)** | **(Surplus) / Deficit on Provision of Services** | | | **(5,781)** |
| | | (392) | Share of operating results of associates | | | (859) |
| | | (571) | Share of operating results of joint venture | | | (1,609) |
| | | **(15,678)** | **Group (Surplus) / Deficit (Note 1 Group)** | | | **(8,249)** |
| | | (22,773) | (Surplus) / Deficit on revaluation of fixed assets | | | (21,368) |
| | | (52,529) | Actuarial (gains)/losses on pension assets/liabilities | | | 56,472 |
| | | (835) | Share of other comprehensive expenditure and income of associates and joint venture | | | 900 |
| | | **(76,137)** | **Other Comprehensive Income and Expenditure** | | | **36,004** |
| | | **(91,815)** | **Total Comprehensive Income and Expenditure** | | | **27,755** |

# Group Movement in Reserves Statement

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

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

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2016 carried forward** | **(9,099)** | **(9,822)** | **(1,378)** | **(10,470)** | **(1,914)** | **(28,925)** | **(61,608)** | **(260,063)** | **(3,983)** | **(5,796)** | **(331,450)** |
| **Movement in reserves during 2016/17** | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (9,073) | - | 2,726 | - | - | - | (6,347) | 36,952 | (1,284) | (1,566) | 27,755 |
| Adjustments between accounting basis & funding basis under regulations | 8,418 | (1,782) | (2,592) | 956 | (11) | 9,357 | 14,346 | (14,346) | - | - | - |
| **(Increase)/Decrease in 2016/17** | **(655)** | **(1,782)** | **134** | **956** | **(11)** | **9,357** | **7,999** | **22,606** | **(1,284)** | **(1,566)** | **27,755** |
| **Balance at 31 March 2017 carried forward** | **(9,754)** | **(11,604)** | **(1,244)** | **(9,514)** | **(1,925)** | **(19,568)** | **(53,609)** | **(237,457)** | **(5,267)** | **(7,362)** | **(303,695)** |

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000 | Total Authority Reserves £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 March 2015 carried forward** | **(9,034)** | **(7,022)** | **(953)** | **(9,538)** | **(1,441)** | **(25,980)** | **(53,968)** | **(177,664)** | **(3,396)** | **(4,607)** | **(239,635)** |
| **Movement in reserves during 2015/16** | | | | | | | | | | | |
| Total Comprehensive Income and Expenditure | (16,809) | - | 2,356 | - | - | - | (14,453) | (75,586) | (587) | (1,189) | (91,815) |
| Adjustments between accounting basis & funding basis under regulations | 16,744 | (2,800) | (2,781) | (932) | (473) | (2,945) | 6,813 | (6,813) | - | - | - |
| **(Increase)/Decrease in 2015/16** | **(65)** | **(2,800)** | **(425)** | **(932)** | **(473)** | **(2,945)** | **(7,640)** | **(82,399)** | **(587)** | **(1,189)** | **(91,815)** |
| **Balance at 31 March 2016 carried forward** | **(9,099)** | **(9,822)** | **(1,378)** | **(10,470)** | **(1,914)** | **(28,925)** | **(61,608)** | **(260,063)** | **(3,983)** | **(5,796)** | **(331,450)** |

# Group Balance Sheet

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

| 31 March 2016 £000 | | 31 March 2017 |
|---|---|---|
| 557,359 | Property, Plant & Equipment | 598,241 |
| 262 | Heritage Assets | 234 |
| 84 | Intangible Assets | 143 |
| 8,285 | Long-term Investments and/or Investments in Associates and Joint Venture | 10,262 |
| 247 | Investments | 246 |
| **566,237** | **Long Term Assets** | **609,126** |
| 166 | Assets Held for Sale | 768 |
| 329 | Short Term Intangible Assets | 359 |
| 332 | Inventories | 363 |
| 13,595 | Short Term Debtors | 13,356 |
| 5,000 | Short Term Investments | 5,000 |
| 38,735 | Cash and Cash Equivalents | 36,452 |
| **58,157** | **Current Assets** | **56,298** |
| (2,097) | Short Term Borrowing | (1,764) |
| (2,913) | Finance Leases including PFI/PPP | (3,126) |
| (39,345) | Short Term Creditors | (43,225) |
| (106) | Provisions | (155) |
| **(44,461)** | **Current Liabilities** | **(48,270)** |
| (456) | Provisions – long term | (152) |
| (59,332) | Long Term Borrowing | (62,568) |
| (373) | Long Term Creditors | (341) |
| (579) | Liabilities in associates and joint venture | (988) |
| (75,950) | PFI/PPP Finance Lease | (72,825) |
| (108,892) | Defined Benefit Pension Liability | (172,791) |
| (2,901) | Capital Grant Receipts in Advance | (3,794) |
| **(248,483)** | **Long Term Liabilities** | **(313,459)** |
| **331,450** | **Net Assets** | **303,695** |
| (65,591) | Usable Reserves | (58,876) |
| (265,859) | Unusable Reserves | (244,819) |
| **(331,450)** | **Total Reserves** | **(303,695)** |

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)
The unaudited accounts were issued on 22 June 2017
The audited accounts were authorised for issue on 28 September 2017

# 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.

| 2015/16 | | 2016/17 |
|---|---|---|
| **£000** | | **£000** |
| (15,678) | Net Group (surplus) or deficit on the provision of services | (8,249) |
| (23,103) | Group adjustments to net surplus or deficit on the provision of services for non-cash movements | (17,434) |
| - | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| (38,781) | Net cash flows from Operating Activities | (25,683) |
| 11,251 | Investing Activities | 27,959 |
| 5,447 | Financing Activities | 7 |
| (22,083) | Net (increase) or decrease in cash and cash equivalents | 2,283 |
| (16,652) | Cash and cash equivalents at the beginning of the reporting period | (38,735) |
| **(38,735)** | **Cash and cash equivalents at the end of the reporting period** | **(36,452)** |

# 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.

| | 2016/17<br>£000 | 2015/16<br>£000 |
|---|---|---|
| **(Surplus)/Deficit on East Renfrewshire Council's provision of services** | **(6,347)** | **(14,453)** |
| **(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:** | | |
| Net expenditure/(income) on Trust Funds in year | 8 | (1) |
| Common Good | 58 | 63 |
| East Renfrewshire Culture and Leisure Trust | 500 | (324) |
| **(Surplus)/Deficit in year arising from associates included in the Group Accounts:** | | |
| • Strathclyde Partnership for Transport | (899) | (448) |
| • Strathclyde Concessionary Travel Scheme Joint Committee | (1) | (1) |
| • Renfrewshire Valuation Board | 41 | 57 |
| **(Surplus)/Deficit in year arising from a joint venture included in the Group Account:** | | |
| East Renfrewshire Integration Joint Board | (1,609) | (571) |
| **GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES** | **(8,249)** | **(15,678)** |

# Notes to the Group Accounts (cont'd)

**2. COMBINING ENTITIES**

The following entities have been consolidated into the Group Statements as subsidiaries of the council.

**Subsidiaries:-**

**Common Good and Charitable Trusts**

Barrhead Common Good along with the Council's Charitable Trust Funds are administered by East Renfrewshire Council (as sole trustee) and are treated as subsidiaries within Council's Group Accounts, within assets, liabilities, reserves, income and expenses being consolidated line-by-line.

**East Renfrewshire Culture and Leisure Trust**

East Renfrewshire Culture and Leisure Trust was incorporated on 2 July 2015 as a company limited by guarantee. The company is also a registered charity, with East Renfrewshire Council being the sole member. The Council provides funding to the Trust based on an agreed service plan; however, the limit of the council's liability if the company was wound up is £1. Under accounting standards, the council has a controlling interest in this company. It is therefore included in the Group Financial Statements as a subsidiary.

The company will promote, advance and further charitable purposes and activities through the provision of services which enhance and contribute to the health, fitness, personal development and wellbeing of the residents of East Renfrewshire (and beyond) including, but not limited to, educational, sporting, culture and heritage based and community activities.

After accounting for FRS 102 Retirement Benefits, the net liabilities of the company were £0.079 million at 31 March 2017. The loss on ordinary activities before and after taxation for the year to 31 March 2017 was £0.101 million (2015/16 £0.022m).

The latest set of audited accounts is for the year to 31 March 2017. Copies of the audited accounts may be obtained from the Chief Executive, East Renfrewshire Culture and Leisure Trust, St John's Campus, 18 Commercial Road, Barrhead, East Renfrewshire, G78 1AJ.

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

**Associates:-**

**Strathclyde Partnership for Transport**

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

# Notes to the Group Accounts (cont'd)

The Council contributed £1.6m or 4.27% to the Authority's running costs during 2016/17 and accounted for £8.011m (2015/16 £7.644m) 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 2016/17 the Council contributed £0.178m or 4.17% to the annual running costs and accounted for £0.071m (2015/16 £0.070m) 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 £0.456m or 20.6% to the organisation's revenue costs and its share of the year- end net liability of £0.988m (2015/16 £0.579m) 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 2016/17 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 2016/17 the Council contributed £62.26m or 43.6% to the annual running costs and accounted for £2.173m (2015/16 £0.571m) 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 £12.629m, representing the Council's net share of the net assets in these entities.

## 4. ACCOUNTING POLICIES

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

## 5. PENSIONS

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

# Notes to the Group Accounts (cont'd)

## 6. TRUST FUNDS

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

| | | Expenditure | Income | Balance 31.03.17 | Balance 31.03.16 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| Charity Number | | | | | |
| SCO05976 | Duff Memorial Fund | - | 66 | 7,242 | 7,176 |
| SCO16641 | Newton Mearns Benevolent Fund | 1,023 | 40 | 4,769 | 5,752 |
| SCO19475 | Janet Hamilton Fund | 574 | 312 | 15,741 | 16,003 |
| SCO19474 | John Pattison Memorial | 1,107 | 65 | 943 | 1,985 |
| SCO19473 | Hugh & Janet Martin Fund | 1,503 | 110 | 2,756 | 4,149 |
| SCO37293 | Netherlee School 1937 | 23,000 | 20,160 | 929 | 3,769 |
| SCO37925 | Talented Children & Young People | - | 3 | 9 | 6 |
| **CHARITABLE REVENUE BALANCES** | | **27,207** | **20,756** | **32,389** | **38,840** |
| | Thornliebank War Memorial Fund | - | 55 | 686 | 631 |
| | Anderson Bequest | 100 | 9 | 462 | 553 |
| | Cathcart Cemetery Fund | - | 51 | 6,116 | 6,065 |
| | Crum Memorial | - | 6 | 49 | 43 |
| | McNiven Prize | - | 11 | 899 | 888 |
| | Rev Denis Reen | - | 23 | 2,139 | 2,116 |
| | James Cowan Bequest | - | 10 | 364 | 354 |
| | Cowan Park Cropping Fund | - | 2 | 17 | 15 |
| | Annie Tyson Trust Fund | 2,681 | 1,143 | 46,463 | 48,001 |
| | Rita Donnelly Memorial Prize | - | - | 20 | 20 |
| **OTHER TRUST FUND REVENUE BALANCES** | | **2,781** | **1,310** | **57,215** | **58,686** |

| | | | Capital Value of Fund | |
|---|---|---|---|---|
| | | | 31.03.17 | 31.03.16 |
| | | | £ | £ |
| **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 | 25,000 | 25,000 |
| | Talented Children & Young People | For talented children and young people in the fields of arts and crafts | 555 | 555 |
| | Other – Charitable | | 1,500 | 1,500 |
| | **CHARITABLE TOTAL RESERVES** | | **97,063** | **97,063** |
| | Annie Tyson Trust Fund | Assisting with special needs training | 157,306 | 157,306 |
| | Other Trust Funds | | 10,256 | 10,256 |
| | **OTHER TRUST FUND TOTAL RESERVES** | | **167,562** | **167,562** |

# Notes to the Group Accounts (cont'd)

**Balance Sheet – Charitable**

| | 2016/17 £ | 2015/16 £ |
|---|---|---|
| Fund balances | 129,452 | 135,903 |
| Creditors | - | - |
| **TOTAL LIABILITIES** | **129,452** | **135,903** |
| | | |
| Investments | - | - |
| Debtors | - | - |
| Due by Loans Fund | 129,452 | 135,903 |
| **TOTAL ASSETS** | **129,452** | **135,903** |

**Balance Sheet – Other Trust Funds**

| | 2016/17 £ | 2015/16 £ |
|---|---|---|
| Fund balances | 224,777 | 226,248 |
| Creditors | - | - |
| **TOTAL LIABILITIES** | **224,777** | **226,248** |
| | | |
| Investments | - | - |
| Debtors | - | - |
| Due by Loans Fund | 224,777 | 226,248 |
| **TOTAL ASSETS** | **224,777** | **226,248** |

# Notes to the Group Accounts (cont'd)

## 7. NON MATERIAL INTEREST IN JOINT COMMITTEES

The Council has an interest in a number of Joint Committees that have not been consolidated within the group accounts. In aggregate they are considered to be immaterial to the understanding of the accounts.

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £69,647 (2015/16, £63,651) representing 2% (2015/16, 2.00%) of the organisation's estimated running costs for the year to 31 March 2017.

- 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 (2015/16, £72,438) representing 12.5% (2015/16, 12.5%) of the Committee's estimated running costs for the year to 31 March 2017.

- **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 (2015/16, £16,400) representing 4.19% (2015/16 4.02%) of the consortium's estimated running costs for the year to 31 March 2017.

- 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 (2015/16, £7,619) representing 5.95% (2015/16 5.95%) of the Committee's estimated running costs for the year to 31 March 2017.

- 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 (2015/16 £1,632) representing 3.87% (2015/16 3.87%) of the Forum's estimated running costs for the year to 31 March 2017.

- The **Dams to Darnley Country Park Joint Committee** was formed to assist with the creation and maintenance of a Country Park between south west Glasgow

# Notes to the Group Accounts (cont'd)

and East Renfrewshire. The committee consists of representatives from East Renfrewshire and Glasgow City Councils along with other co-opted non-voting representatives. At the start of the year the partnership was dissolved and replaced with a Service Level Agreement between East Renfrewshire Council and Glasgow City Council, as such no accounts are required.

- The Glasgow and Clyde Valley Cabinet is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal Programme aims to deliver a £1.1bn investment programme, including delivery of labour market and innovation programmes. During the year the Council made a contribution of £49,604 (2015/16 £36,139) representing 5.1% (2015/16 5.1%) of the organisation's running costs for the year to March 2017.

- The SEEMIS Group LLP was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 28 participating authorities and the principal activity of the LLP is the provision of information technology solutions to education services. During the year, the Council made a contribution of £80,744 (2015/16 £74,646) representing 2.46% (2015/16 2.42%) of the organisation's running costs for the year to 31 March 2017.

East Renfrewshire Council

# Glossary of Terms

Much of the terminology used in this Report is intended to be self-explanatory. However, the following additional definitions and interpretations of terms used may be helpful.

**1. Gross Expenditure**
This includes all expenditure attributable to the service / activity including employee costs, expenditure relating to premises and transport, supplies & services, third party payments and capital charges.

**2. Gross Income**
This includes the charges to individuals and organisations for the direct use of the Council's services.

**3. Corporate and Democratic Core**
Corporate and Democratic Core costs include the costs of policy making and all other member based activities together with costs which relate to the general running of the Council. The Service Reporting Code of Practice for Local Authorities stipulates that such costs are to be excluded from the Total Cost relating to the Housing Revenue Account service activity.

**4. Capital Charges**
A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

**5. Financing Costs**
This includes the annual costs of financing the sums borrowed by the Council covering its capital repayment of loans, interest charges and debt management expenses.

**6. Specific Government Grant**
This includes grants received from Central Government in respect of a specific purpose or service e.g. Gaelic Grant.

**7. Capital Expenditure**
This is expenditure incurred in creating, acquiring or improving assets where the expenditure is normally financed by borrowing with repayment over a period of years, or by utilising the income from the sale of existing assets.

**8. Non Current Assets**
These are created by capital expenditure incurred by the Council. This includes buildings and property, vehicles, plant and machinery, roads, computer equipment etc.

**9. Revaluation Reserve**
The Revaluation Reserve represents the accumulated gains on the revaluation of fixed assets not yet realised through sales. This account cannot be used to support spending.

**10. Capital Adjustment Account**
The capital adjustment account represents the accumulation of capital resources set aside to meet past expenditure. This account cannot be used to support spending.

**11. Financial Instruments Adjustment Account**

# Glossary of Terms (cont'd)

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

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

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

**14. Generally Accepted Accounting Practice in the UK (UK GAAP)**
The overall body of regulation establishing how Company accounts must be prepared in the United Kingdom. The basis on which Local Authority accounts were previously prepared.

**15. International Financial Reporting Standards (IFRS)**
The basis on which Local Authority accounts are currently prepared.

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

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

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

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

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

# Independent Auditor's Report

# Independent Auditor's Report (Cont'd)

East Renfrewshire Council

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