

EAST RENFREWSHIRE COUNCIL  
AUDIT AND SCRUTINY COMMITTEE

13 November 2014

Report by Chief Executive

ANNUAL ACCOUNTS AND ANNUAL AUDIT REPORT FOR 2013/14

## **PURPOSE OF REPORT**

1. The Audit of the Annual Accounts for 2013/14 has been completed and a copy of the accounts is now submitted for consideration by the Audit and Scrutiny Committee. In addition, the Annual Audit Report to the Council and the Controller of Audit for 2013/14 has been prepared by the External Auditors and a copy of the report is now submitted for consideration by the Audit and Scrutiny Committee.

## **RECOMMENDATION**

2. The Committee is invited to: -
- Note the content of the Annual Accounts for 2013/14; and
  - Consider the Annual Audit Report to the Council and the Controller of Audit for 2013/14.

## **BACKGROUND**

3. The external audit of the Annual Accounts for 2013/14 has now been completed and the Council have been awarded an audit certificate which has no qualifications. A copy of the accounts are 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 £1.385m is recorded in the Accounts. After transfers to earmarked reserves a sum of £0.011m has been deducted from the Council's non-earmarked General Fund reserve. This results in a balance of £8.508m as at 31 March 2014 representing 4% of the annual budgeted net revenue expenditure which equates to the Council's policy.
- Transfers totalling £5.3 million were made from the General Fund balance to the following reserves:-

○	Capital Reserve	£4,000,000
○	Modernisation Fund	£1,000,000
○	Insurance Fund	£300,000

- Capital Expenditure of £21.54 million was invested.
- An operating deficit of £415,000 on the Housing Revenue Account has been incurred, this reducing the accumulated surplus balance to carry forward of £507,000.

## **ANNUAL AUDIT REPORT**

5. A copy of the Annual Audit Report, which provides an overview of the main issues arising from the 2013/14 Audit of the Council, has been received and is attached as Appendix 2. The Committee is invited to consider the document. The External Auditors will be attending the Audit and Scrutiny Committee meeting to speak to and discuss the report.

## **RECOMMENDATION**

6. The Committee is invited to: -
- Note the content of the Annual Accounts for 2013/14; and
  - Consider the Annual Audit Report to the Council and the Controller of Audit for 2013/14.

## **REPORT AUTHOR**

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## **BACKGROUND PAPERS**

This report refers to the Council's Annual Accounts for 2013/14 and the External Auditor's Annual report to the Council and the Controller of Audit for 2013/14.

## **KEY WORDS**

Annual Accounts, external audit

***EAST RENFREWSHIRE COUNCIL***  
***AUDITED ANNUAL ACCOUNTS***  
***2013/2014***



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## Explanatory Foreword

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### 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 2014.

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

The purpose of this statement is to draw together all the figures shown in the accounts and to provide an explanation of the financial performance of the Council during the year 2013/14.

### Remuneration Report

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

### Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The (Surplus) or Deficit on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purpose. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

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

### 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'.



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### **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 (ie borrowing) to the authority.

### **Accounting Policies**

Note 1 lists the Accounting Policies that set out the basis on which the Accounts have been prepared.

### **Housing Revenue Account Income & Expenditure Account**

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.

## **REVENUE BUDGET PERFORMANCE**

### **General Fund**

Net expenditure on General Fund Services is met from Government Grants and Council Tax. Government Grants include an amount in respect of income from business rates. In 2013/14 Government Grants accounted for 79% of the Council's external funding while the remaining 21% came from Council Tax. The in year collection rate for Council Tax was 97.85% (2012/13 97.62%)

For a summary of the General Fund please see the Movement in Reserves Statement.

### **General Fund Revenue Balance**

The General Fund Balance at the end of the year is £14.918m The opening balance of £13.533m has been increased by an overall surplus of £1.385m.

Within the General Fund balance an amount of £1.685m has been earmarked for the purpose of equalising future PFI/PPP payments. Similarly an amount of £2.821m has been earmarked as a Modernisation Fund. Further amounts of £0.643m and £0.933m have also been earmarked for the Whitelees Wind Farm and commuted sums, please see note 8 for further information.

In closing the accounts £0.328m 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.

## **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 six times per year with the latter four reports providing year end forecasts. Financial and physical progress on each capital project is also reported to Cabinet five times per year. Copies of these reports are available on the Council's website, [www.eastrenfrewshire.gov.uk](http://www.eastrenfrewshire.gov.uk).



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### Budget Performance

The overall surplus of £1.385m can be analysed as follows:

		Actual £'000	Approved Budget £'000	Over/ (Under) Spend £'000
Net cost of services	224,908			
Capital charges	<u>(30,496)</u>	194,412	199,488	(5,076)
Investment Income		(247)	(200)	(47)
Capital financing costs		11,661	12,434	(773)
Other		2,408	-	2,408
Contributions to reserves		5,300	500	4,800
To be met by govt. grants and local taxation		<u>213,534</u>	<u>212,222</u>	<u>1,312</u>
Aggregate External Finance		(170,146)	(168,083)	(2,063)
Council Tax		(44,773)	(44,139)	(634)
Total Funding		<u>(214,919)</u>	<u>(212,222)</u>	<u>(2,697)</u>
<b>SURPLUS FOR THE YEAR</b>		<b>(1,385)</b>	<b>0</b>	<b>(1,385)</b>

### 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 96 and 97. These accounts deal with transactions in respect of managing the Council's housing stock. The opening balance of £922k has been decreased by an operational deficit of £415k to give a year-end balance of £507k.

### FUND BALANCES

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

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

- (i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure which may arise. The Council's aim is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. In 2013/14 this was 4% (2012/13 3.5%)
- (ii) To earmark funding to equalise future PFI/PPP payments.
- (iii) To earmark funding to enable the upfront investment required to drive forward the Public Service Excellence 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.

### PRIVATE FINANCE INITIATIVE/PUBLIC PRIVATE PARTNERSHIP

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. Details of all 3 projects are provided in note 35 to the core financial statements.

### PENSION LIABILITY

The common position for employers participating in the Strathclyde Pension Fund is that the IAS19 calculation, based on a snapshot valuation as at 31 March 2014, discloses a deficit, as a result of prevailing investment market conditions at that date. In the case of East Renfrewshire Council this deficit is £123.989m, details of which can be found in note 39 to the core financial statements. The pension liability represents the best estimate of the current value of pension benefits that will have to





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be funded by East Renfrewshire Council. The liability relates to benefits earned by existing or previous employees up to 31 March 2014. 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 2014 was 4.3%. This year has seen an increase in pension liabilities to £477.17m (2012/13 £432.16m) which is principally because the financial assumptions at 31 March 2014 are less favourable than they were at 31 March 2013.

This increase in liabilities, reduced by an increase in asset values (£353.181m, 2012/13 £327.803m), has resulted in a net increase in the overall pension liability of £19.632m.

Employer contributions are based on the longer-term funding valuation as at 31<sup>st</sup> March 2011. The accounting policies adopted in the accounts reflect the full implementation of recent changes to IAS19.

### CAPITAL BUDGET PERFORMANCE

The Council invested £21.54m in its General Services and Housing Capital Programmes details of which are provided in note 33 to the core financial statements. This net expenditure was less than the capital budget for the year. Capital expenditure was funded by receipts from sale of assets of £7.364m, contributions from revenue and reserves of £1.007m, PPP lifecycle costs £0.695m, miscellaneous income of £0.104m and grants of £6.853m leaving a balance of £5.517m to be funded by borrowing. The Council has various available sources of borrowing to fund capital expenditure, the most significant of which is the Public Works Loans Board. The financing charges impacting on the Council Tax were £11.661m (2012/13 £11.614m) and on rents were £3.411m (2012/13 £3.095m)

### 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. Further guidance is provided in note 28 to the core financial statements.

### REVIEW

With the exception of the Community Health and Care Partnership the Council's General Fund services have again been managed within their operational budget. In total General Fund departments' outturn spend was within budget with Directors taking early action in applying savings measures during 2013/14. 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 and maximisation of income receivable. The Council had budgeted to increase reserves by £0.5 million in 2013/14. However, as a result of effective financial management, transfers totalling £5.3million have been made to key earmarked reserves. 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 assist the Council in taking forward necessary one-off transformation investment designed to generate ongoing revenue financial savings.

In the course of the year, investment in Education has continued with the new build replacement Eastwood High School opening in August 2013. A new extension was provided for St. Mark's Primary School and work has begun on the design and preparation for the new Barrhead High School.

The Council's Community Health and Care partnership has continued to devote additional resources to ensure that frontline social care services for vulnerable people in East Renfrewshire have kept pace with growing demand, with particular impact on improving rehabilitation and preventative services. Also, work continues on the development of the new Eastwood Health and Care Centre and planning is underway for the integration of health and social care services in April 2015.



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New all weather pitches have progressed for St. Luke's and St. Ninian's High Schools.

A list of sports projects has also been financed allowing for improvements at both Neilston Leisure Centre and Barrhead Sports Centre.

Investment in roads has also increased to speed up the progress of prioritised repairs. To help stimulate the local economy and address youth unemployment in the area, there has been investment in environmental improvements on mixed tenure housing estates.

In addition, recognising the problems created by adverse weather, further investment was made in Parks.

### GROUP ACCOUNTS

The Council recognised the establishment of a Common Good Fund, relating to Cowan Park, Barrhead, during the current financial year.

The assets are recognised as part of the Group Account Balance Sheet only as they are held by the Council on behalf of the residents of the prior burghs and cannot be disposed of without court approval. However, as part of a management arrangement, the Council remains responsible for all costs and income relating to the assets for a nominal annual fee of £1 (if asked) to the Common Good Fund. Consequently the Fixed Assets on the Single Entity Balance Sheet for 2012/13 have been reduced by £1.030m.

In addition, the Council is represented on the Boards of the following companies that are limited by guarantee and have no share capital. 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 £7.609m. 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

### FINANCIAL OUTLOOK

In common with all other organisations, the Council has been affected by the deterioration in economic 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, a new health and care centre, roads investment 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 delivery of the Scottish Housing Quality Standard.

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 is that the level of Council Tax is frozen. Forecasts are that these 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.

The Council has approached these difficulties as a part of a longer term financial strategy. Underpinning this strategy is a 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;



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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.

Following the success of the Council's previous multi-year budget approach, the Council undertook extensive community engagement, during the autumn of 2012, in setting its budget for future financial years. Reflecting on the outcome of that engagement, a budget for 2013/14 and an indicative budget for 2014/15 were approved by Council in February 2013. The Council continues to actively seek out efficiencies in service delivery with around 70% of the approved savings measures for the financial years 2013/14 and 2014/15 being categorised as efficiencies. The Council is currently continuing with its multi-year approach in considering the financial outlook for 2015/16 to 2017/18.

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 3 financial years 2012/13 to 2014/15 amount to £2.635 million.

As a consequence of the Council's programme of efficiency reviews 56 employees took the option of voluntary redundancy or other packages offered to them in 2013/14. This resulted in non recurring expenditure of £1.0m.

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 CMT and Cabinet on a regular basis regarding estimated financial and other impacts, and the Cabinet has agreed plans to manage the reforms.

### **ICELANDIC BANKS**

The Council had £1m invested in the Heritable Bank, a UK based subsidiary of the Icelandic bank, Landsbanki. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young outlined that the return to the creditors was projected to be 94p in the £ by the autumn of 2013. As at 31 March 2014 the Council has received 14 payments totalling £988,238, no further dividends are expected.

### **ACKNOWLEDGEMENT**

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

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

Date 25<sup>th</sup> September 2014



## Statement of Responsibilities for the Statement of Accounts

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### **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 ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Accountancy (Chief Financial Officer).

The Authority also has to manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.

The Authority has to approve the audited Statement of Accounts within two months of receiving the audit certificate.

### **The Head of Accountancy (Chief Financial Officer)'s Responsibilities**

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

### **In preparing this statement of 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 the Code of Practice.

### **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 this Statement of accounts shows a true and fair view of the financial position of East Renfrewshire Council as at 31 March 2014 and its income and expenditure for that year

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

Date 25<sup>th</sup> September 2014



## Annual Governance Statement 2013/14

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

In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of East Renfrewshire Council's affairs and the stewardship of the resources at its disposal. To this end, the Council adopted a Code of Corporate Governance which was updated in June 2014 and is consistent with the principles and requirements of the CIPFA/SOLACE guidance for Scottish local authorities "*Delivering Good Governance in Local Government*".

The Code is built around six governance principles:

- Focusing on the purpose of the authority and outcomes for the community
- Members and officers working together to achieve a common purpose
- Promoting values for the authority and demonstrating the values of good governance
- Taking informed and transparent decisions
- Developing the capacity and capability of members and officers to be effective
- Engaging with local people and other stakeholders

The Code of Corporate Governance was reviewed in 2014 by the Council's Corporate Management Team. This produced a number of improvement actions which have been taken forward over the course of the year. A revised Code of Corporate Governance for 2014/15 and update on the 2013/14 action plan was considered by the Audit and Scrutiny Committee on 12 June 2014.

A copy of the Code is on 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 3660).

This statement explains how East Renfrewshire Council has complied with the code and also meets the Code of Practice on Local Authority Accounting in the UK 2013/14 based on International Financial Reporting Standards which details the requirements for a Statement of Internal Financial Control.

During 2013/14, East Renfrewshire Council has put in place appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is 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 the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The 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. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Renfrewshire Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal financial control is based on a framework of regular management 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 council managers.

The system includes:

- The Council's new vision and corporate statement East Renfrewshire: Your Council, Your Future was launched in 2014. This also included a range of products including a short film to reflect the content of the statement which has been promoted widely to residents and staff.





## Annual Governance Statement 2013/14 (cont'd)

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- 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 (2010).
- Clear roles and responsibilities of the Corporate Management Team and Elected Members with delegation arrangements well defined.
- Providing an Audit Committee which provides an effective and detailed level of scrutiny across the Council,
- High standards of budgeting, monitoring and reporting,
- Regular reviews of periodic and annual financial reports which indicate both financial performance and actual expenditure against the forecasts,
- Objectives and targets: realistic and achievable, matched to financial and other resources, explicitly translated into clear responsibilities for implementation,
- Clearly defined capital expenditure guidelines,
- Matching of asset base to Council objectives in terms of suitability and sustainability, and supporting this with appropriate asset management,
- Systematic approach to risk management,
- Highly developed corporate performance management system with regular reports to the CMT and Cabinet. These reports are also published on the website.
- Procedures in place to help members and employees comply with relevant codes of conduct and policies – policies on fraud prevention, investigation and “whistleblowing”.
- Providing training and development opportunities for all Elected Members and Senior Officers.

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

### **Review of effectiveness**

East Renfrewshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its 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 Auditor's annual report, and also by comments made by external auditors and other review agencies and inspectorates.

Internal Audit is an independent appraisal function established by the Council for the review of the internal control system as a service to the organisation. It objectively examines, evaluates and reports on the adequacy of internal control 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 Chartered Institute of Public Finance and Accountancy's Code of Practice for Internal Audit in Local Government in the United Kingdom. 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 Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.

Members and Officers of the Council are committed to the concept of sound governance and the effective delivery of Council services. The Audit and Scrutiny Committee performs a scrutiny role in relation to the application of the Code of Corporate Governance and regularly monitors the performance of the Council's Internal Audit Section.

The implications of the result of reviewing the effectiveness of the governance framework are reported to the Audit and Scrutiny Committee and a plan to address weaknesses and ensure continuous improvement of systems is in place. The Chief Internal Auditor's annual statement for 2013/14 (presented on 12 June 2014 at the Audit and Scrutiny Committee) presents an opinion that



## Annual Governance Statement 2013/14 (cont'd)

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reasonable assurance can be placed on the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2014.

Key actions achieved within 2013/14 included:

- Continued focus on Welfare Reform with the Council's Planning Group meeting every 6 weeks to plan activities to mitigate the impact of welfare reform changes.
- Introduction of a Modernisation Fund which has two parts – Spend to Save and Transformation Fund.
- Further development of the complaints handling procedure including performance reporting.
- Improvements to the council website which resulted in a SOCITM rating of 4 stars (from 2 stars).
- Third council-wide employee engagement survey.
- Publication of Planning for the Future (key demographics) report.
- Roll out of the on-line PRD system to certain departments.
- Development of a new four year Corporate Statement for the Council setting out vision and key priorities.
- Approval of a new methodology for risk based How Good Is Our Service (HGIOS).
- The Procurement Capability Assessment which reviews procurement across the Council has a section dedicated to contract management. This section score improved to 43% from 29%.

An action which was delayed in 2013/14 but which will be finalised in 2014/15 includes:

- Establishment for Community Councils is underway to ensure that the Scheme is fit for purpose, encourages a diverse range of people to become involved and ensure that Community Councils are representative of their communities.

Key Actions planned to be delivered in 2014/15:

- Council restructure with the sections of the former Finance Department moved to either the newly formed Corporate and Community Services Department or the Chief Executive's Office.
- The role of the Chief Financial Officer will transfer from the Director of Finance to the Head of Accountancy with arrangements in place to ensure that all duties of the Chief Financial Officer will be transferred without any disruption to service delivery. The Chief Financial Officer will continue to be a key member of the Corporate Management Team.
- Community engagement on budget proposals.
- Review of the Council's contract Standing Orders to reflect structural changes.
- Revision of Financial Regulations to reflect structural changes.
- New risk management strategy to reflect structural changes.
- The Welfare Reform Planning Group will continue to meet regularly and report to the CMT and Cabinet on progress to mitigate the impact of the next phase of welfare reform changes which will include the changes to the fraud structure and preparation for the implementation of Universal Credit.

The self assessment of the code of corporate governance against the nationally prescribed criteria identifies the code to be fully compliant across the 6 governing principles (approved by the Audit and Scrutiny Committee on 12 June 2014).

### Significant governance issues

The Council's Assurance and Improvement Plan Update 2014-17 concluded that no risk based scrutiny work is currently required on the council's services or outcome areas.

The Scottish Housing Regulator (SHR) has identified that rent arrears and void rent loss performance is below the national figures and further information is required on progress against the planned improvement action. The use of B&B accommodation is also high and the council's 2012 improvement plan advised that a review of its available temporary accommodation was being undertaken which aimed to reduce the use of B&B accommodation. Progress updates will be provided to Audit Scotland to confirm the action taken by the council to reduce B&B use.



## Annual Governance Statement 2013/14 (cont'd)

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The financial constraints that the Council will face in future years are significant and it is clear that funding restrictions will continue for a number of years. The Council is therefore actively challenging current service models and existing methods of service delivery to ensure best value from available resources. It will be important that the challenges are addressed on a managed basis underpinned by a long-term strategy. To enable this, the Council has put in place an overriding Financial Policy drafted to form a framework to the actions that the Council requires to take to manage its financial difficulties.

In 2013/14, a number of key welfare reform changes were implemented. The Council has set up a Welfare Reform Planning Group with involvement from key staff. This group meets every six weeks to update the welfare reform action plan and discuss training and communication plans to mitigate the impact of welfare reform on residents.

Since the Public Service Excellence Programme (PSE) was launched in East Renfrewshire in 2009, the programme has realised £4.1m recurring financial savings and a workforce reduction of 231 full time employees. The programme has led to modernised ways of working and built more self-sufficient staff. The council has refreshed the PSE principles and these are now:

- Better customer experience
- Delivering through digital services
- Improving assets and agile working
- Processes simplified and standardised

The biggest areas of work within the PSE programme are around agile working and the CHCP.

In 2014/15 a review of the Public Service Excellence Programme will be undertaken and implementation of the outcome of the review will be critical in building our success in delivering services of highest quality within even tighter budget constraints.

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

CIPFA published this statement in 2010 and under the Code East Renfrewshire Council is required to state whether it complies with the statement and, if not, to explain how its governance arrangements deliver the same impact. The full statement is:-

The Chief Financial Officer in a public service organisation:

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

To deliver these responsibilities the Chief Financial Officer:

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

The Council considers that it complies with the above statement.

### **Assurance**

We consider the governance and internal control environment operating during 2013/14 to provide reasonable and objective assurance that significant risks impacting on the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact.





## Annual Governance Statement 2013/14 (cont'd)

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Systems are in place to review and improve the governance and internal control environment. The Council will continue to review its corporate governance arrangements and take any additional steps as are required to further enhance these arrangements and will review their implementation and operation as part of the next annual review.

Signed:  
Cllr J Fletcher  
Leader of the Council

Date 25<sup>th</sup> September 2014

Signed:  
L McMillan  
Chief Executive  
On behalf of East Renfrewshire Council

Date 25<sup>th</sup> September 2014



## Remuneration Report

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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 2013-14 the salary for the Leader of East Renfrewshire Council was £27,329. 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 £166,023. 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.

In 2013-14 East Renfrewshire Council had 9 Senior Councillors and the remuneration paid to these councillors totalled £165,113. 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](http://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. The remuneration paid to the Authority's 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 Allowances * £	Total £
Lorraine McMillan (Chief Executive)	2013/14 2012/13	109,521 109,618		717 653	110,238 110,271
John Wilson (Director of Education) (until 31/08/13)	2013/14 2012/13	46,857 (Annual equivalent £99,112) 98,968		276 515	47,133 99,483
Mhairi Shaw (Director of Education) (From 03/10/13)	2013/14	44,614 (Annual equivalent £99,112)		364	44,978
Julie Murray (Director of Community Health & Care Partnership)	2013/14 2012/13	101,342 98,968		822 822	102,164 99,790
Andrew Cahill (Director of Environment)	2013/14 2012/13	99,112 98,968		822 822	99,934 99,790
Norman Williamson (Director of Finance)	2013/14 2012/13	99,112 99,093		765 756	99,877 99,849
Caroline Innes (Deputy Chief Executive)	2013/14 2012/13	99,112 99,093		772 762	99,884 99,855
Gerry Mahon (Chief Solicitor)	2013/14 2012/13	67,319 62,339		822 822	68,141 63,161
Michelle Blair (Chief Auditor)	2013/14 2012/13	49,518 49,049		804 818	50,322 49,867

\* This column represents taxable earnings only



# Remuneration Report (cont'd)

## 4. Remuneration of Senior Councillors

Name (A)	Position Held (B)	Notes	Salary - Payments made by Council			Re-imbusement of Members Expenses							Total Salary Expenses 2013/14 (E + M) (N) £	Total Salary & Expenses 2012/13 (O) £	
			Gross Allowance (C) £	Less Recharge to External Bodies (D) £	Net Allowances Paid (E) £	Car & Van Expenses - Reimbursed (F) £	Other Travel Expenses - Reimbursed (G) £	Other Travel Expenses Paid Directly (H) £	Subsistence & Meals Expenses Reimbursed (I) £	Training & Conference Expenses Reimbursed (J) £	Training & Conference Expenses Paid direct (K) £	Telephone & ICT Expenses Paid Directly (L) £			Total Expenses (F to L) (M) £
Buchanan	Convener for Infrastructure and Sustainable Growth		17,537		17,537	1,278	76	19	-	622		240	2,235	19,772	19,170
Carmichael	Provost		20,497		20,497	52						605	657	21,154	20,281
Cunningham	Deputy Provost		18,447		18,447							685	685	19,132	18,771
Devlin	Convener for Housing & Maintenance Services		18,447		18,447							896	896	19,343	18,721
Fletcher	Leader of the Council/Chair of the Cabinet	1(a)	27,329		27,329	665	266			581		575	2,087	29,416	28,279
Green	Convener for Education and Equalities		18,447		18,447	1,082	57	103				695	1,937	20,384	19,727
Hay	Chair of Planning Applications Committee		18,447		18,447	400	25	97				237	759	19,206	17,277
McAlpine	Convener for Corporate Services		18,447		18,447	215	87					643	945	19,392	18,924
Montague	Convener for Community Services & Community Safety		18,447		18,447			134				676	810	19,257	19,155
Wallace	Chair of Audit Committee		18,447		18,447							240	240	18,687	18,266
Waters	Convener for Environment		18,447		18,447	1,011	84	43		281		420	1,839	20,286	17,997
Sub total	Senior Councillors		212,939	0	212,939	4,703	595	396		1,484		5,912	13,090	226,029	216,568
	All other councillors		154,595	3,955	150,640	2,974	339	226		1,014		3,491	8,044	158,684	150,225
	<b>Total</b>		<b>367,534</b>	<b>3,955</b>	<b>363,579</b>	<b>7,677</b>	<b>934</b>	<b>622</b>	<b>-</b>	<b>2,498</b>		<b>9,403</b>	<b>21,134</b>	<b>384,713</b>	<b>366,793</b>

- Notes:-
- 1 (a) The undernoted receive remuneration as representatives of the Council on outside bodies.  
 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](http://www.scottishfuturestrust.org.uk)
- 2 East Renfrewshire Council leases a car for civic duties. The annual cost of this car is £6,400.



## 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 operates. This means that pension benefits are based on the final year's pay and the number of years that person has been a member of the scheme.

The scheme's normal retirement age for both councillors and employees is 65.

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 2013/14 and 2012/13 are as follows:-

Whole time pay	Contribution rate 2013/14		Contribution rate 2012/13
On earnings up to and including £19,800	5.5%	On earnings up to and including £19,400	5.5%
On earnings above £19,800 and up to £24,200	7.25%	On earnings above £19,400 and up to £23,700	7.25%
On earnings above £24,200 and up to £33,200	8.5%	On earnings above £23,700 and up to £32,500	8.5%
On earnings above £33,200 and up to £44,200	9.5%	On earnings above £32,500 and up to £43,300	9.5%
On earnings above £44,200	12.0%	On earnings above £43,300	12.0%

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.

There is no automatic entitlement to a lump sum. Scheme members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The 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).

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 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.

The pension entitlements of Senior Employees for the year to 31 March 2014 are shown in the table below, together with the contribution made by the Council to each Senior Employee's pension during the year.



## Remuneration Report (cont'd)

Name & Post Title	In year Pension Contribution £	2013/14 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2013	
		Pension £	Lump Sum £	Pension £	Lump Sum £
Lorraine McMillan (Chief Executive)	21,137	10,552	4,276	1,820	3
John Wilson (Director of Education) until 31/08/13	9,043	41,210	274,736	(10,703)	138,791
Mhairi Shaw (Director of Education) from 03/10/13	16,771	35,324	86,170	-	-
Julie Murray (Director of Community Health & Care Partnership)	19,559	26,211	53,298	2,263	1,249
Andrew Cahill (Director of Environment)	19,283	40,322	95,987	2,031	907
Norman Williamson (Director of Finance)	19,283	49,902	124,729	1,992	846
Caroline Innes (Deputy Chief Executive)	19,283	37,670	88,032	2,006	832
Gerry Mahon (Chief Solicitor)	12,993	18,418	38,434	2,431	2,915
Michelle Blair (Chief Auditor)	9,557	13,618	28,474	946	269

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.

### Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2014 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

Name & Post Title	In year Pension Contribution £	2013/14 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2013	
		Pension £	Lump Sum £	Pension £	Lump Sum £
Cllr Buchanan – Convener for Infrastructure and Sustainable Growth	3,211	2,053	1,286	308	(12)
Councillor Carmichael - Provost	3,956	2,244	1,499	372	18
Cllr Cunningham – Deputy Provost	-	-	-	-	-
Cllr Devlin – Convener for Housing Maintenance Services	-	-	-	-	-
Cllr Fletcher – Leader of the Council	5,274	3,576	2,389	511	(35)
Cllr Green – Convener for Education and Equalities	3,560	2,104	1,135	531	76
Cllr Hay - Chair for Planning Applications Committee	-	-	-	-	-
Cllr McAlpine – Convener for Corporate Services	3,560	2,647	1,614	862	203
Cllr Montague – Convener for Community Services and Community Safety	3,560	1,975	964	335	2
Cllr Wallace – Chair of Audit Committee	3,560	933	-	317	-
Cllr Waters – Convener for Environment	3,560	587	-	312	-

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.

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



## 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	2013/14				2012/13			
	Teachers	Number of employees Left during year	Other Employees	Total	Teachers	Number of employees Left during year	Other Employees	Total
£50,000 - £54,999	39	1	8	48	37	1	4	42
£55,000 - £59,999	14	-	3	17	17	1	1	19
£60,000 - £64,999	3	-	4	7	2	-	6	8
£65,000 - £69,999	1	-	2	3	1	-	-	1
£70,000 - £74,999	1	1	4	6	1	-	1	2
£75,000 - £79,999	1	-	5	6	1	1	11	13
£80,000 - £84,999	2	-	1	3	2	-	-	2
£85,000 - £89,999	-	-	1	1	-	-	-	-
£90,000 - £94,999	-	-	-	-	-	-	-	-
£95,000 - £99,999	-	-	-	-	-	-	5	5
£100,000 - £104,999	-	-	4	4	-	-	-	-
£105,000 - £109,999	-	-	-	-	-	-	-	-
£110,000 - £114,999	-	-	1	1	-	-	1	1

### 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.

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b) + (c)]		(e) Total cost of exit packages in each band	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14 (£)	2012/13 (£)
£0 - £20,000	0.0	0.0	26.0	13.0	26.0	13.0	317,548	140,227
£20,001 -£40,000	0.0	0.0	17.0	6.0	17.0	6.0	465,725	174,761
£40,001 - £60,000	0.0	0.0	3.0	7.0	3.0	7.0	141,590	329,901
£60,001 - £80,000	0.0	0.0	4.0	7.0	4.0	7.0	278,988	471,232
£80,001 - £100,000	0.0	0.0	3.0	1.0	3.0	1.0	264,052	86,820
£100,001 -£150,000	0.0	0.0	2.0	1.0	2.0	1.0	251,272	100,232
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>55.0</b>	<b>35.0</b>	<b>55.0</b>	<b>35.0</b>	<b>1,719,175</b>	<b>1,303,173</b>
Add: Amounts provided for in CIES not included in bandings	0.0	0.0	1.0	0.0	1.0	0.0	165,837	0
<b>Total Cost included in CIES</b>	<b>0.0</b>	<b>0.0</b>	<b>56.0</b>	<b>35.0</b>	<b>56.0</b>	<b>35.0</b>	<b>1,885,012</b>	<b>1,303,173</b>

Leader of the Council  
Date 25<sup>th</sup> September 2014

Chief Executive  
Date 25<sup>th</sup> September 2014



# Movement in Reserves Statement

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2013 carried forward (Restated)</b>	(8,519)	(5,014)	(11,090)	(1,290)	(922)	(22,233)	<b>(49,068)</b>	(206,445)	<b>(255,513)</b>
<b>Movement in reserves during 2013/14</b>									
(Surplus) or deficit on the provision of services	10,092	-	-	-	3,474	-	<b>13,566</b>	-	<b>13,566</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	14,533	<b>14,533</b>
<b>Total Comprehensive Income and Expenditure</b>	10,092	-	-	-	3,474	-	<b>13,566</b>	14,533	<b>28,099</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(14,484)	-	-	-	(2,982)	-	<b>(17,466)</b>	17,466	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves</b>	(4,392)	-	-	-	492	-	<b>(3,900)</b>	31,999	<b>28,099</b>
Transfers (to)/from other statutory Reserves	4,403	(1,396)	1,674	(424)	(77)	(4,180)	-	-	-
<b>(Increase)/Decrease in 2013/14 (Note 8)</b>	11	(1,396)	1,674	(424)	415	(4,180)	<b>(3,900)</b>	31,999	<b>28,099</b>
<b>Balance at 31 March 2014 carried forward</b>	(8,508)	(6,410)	(9,416)	(1,714)	(507)	(26,413)	<b>(52,968)</b>	(174,446)	<b>(227,414)</b>





## Movement in Reserves Statement (cont'd)

	Unallocated General Fund Balance £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2012 (Restated)</b>	(9,047)	(4,763)	(8,412)	(1,180)	(1,010)	(20,870)	<b>(45,282)</b>	(192,093)	<b>(237,375)</b>
<b>Movement in reserves during 2012/13</b>									
(Surplus) or deficit on the provision of services	(11,325)	-	-	-	3,246	-	<b>(8,079)</b>	-	<b>(8,079)</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(10,059)	<b>(10,059)</b>
<b>Total Comprehensive Income and Expenditure</b>	(11,325)	-	-	-	3,246	-	<b>(8,079)</b>	(10,059)	<b>(18,138)</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,551	-	-	-	(3,208)	4,950	<b>4,293</b>	(4,293)	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory Reserves</b>	(8,774)	-	-	-	38	4,950	<b>(3,786)</b>	(14,352)	<b>(18,138)</b>
Transfers (to)/from other statutory Reserves	9,302	(251)	(2,678)	(110)	50	(6,313)	-	-	-
<b>(Increase)/Decrease in 2012/13 (Note 8)</b>	528	(251)	(2,678)	(110)	88	(1,363)	<b>(3,786)</b>	(14,352)	<b>(18,138)</b>
<b>Balance at 31 March 2013 (Restated)</b>	(8,519)	(5,014)	(11,090)	(1,290)	(922)	(22,233)	<b>(49,068)</b>	(206,445)	<b>(255,513)</b>



# Comprehensive Income and Expenditure Statement

Year ended 31 March 2013				Year ended 31 March 2014		
Gross Expenditure (Restated) £000	Gross Income £000	Net Expenditure (Restated) £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
126,846	(13,178)	113,668	Education Services	143,662	(13,584)	130,078
18,207	(16,579)	1,628	Housing Services	19,010	(16,973)	2037
18,990	(4,936)	14,054	Cultural & Related Services	18,495	(5,516)	12,979
12,511	(3,992)	8,519	Environmental Services	12,452	(3,775)	8,677
3,256	-	3,256	Fire Service	-	-	-
14,687	(1,903)	12,784	Roads & Transport Services	14,211	(1,883)	12,328
4,224	-	4,224	Police Service	-	-	-
4,787	(1,354)	3,433	Planning & Development	4,387	(1,549)	2,838
57,221	(11,622)	45,599	Social Work	60,573	(13,041)	47,532
5,532	(488)	5,044	Central Services to the Public	6,354	(312)	6,042
2,657	-	2,657	Corporate & Democratic Core	2,810	-	2,810
1,051	-	1,051	Non Distributable Costs	1,900	(2,313)	(413)
269,969	(54,052)	215,917	<b>Net Cost of General Services</b>	283,854	(58,946)	224,908
11,292	(9,340)	1,952	Housing Revenue Account	12,041	(9,922)	2,119
281,261	(63,392)	217,869	<b>Cost of Services</b>	295,895	(68,868)	227,027
		109	Other operating expenditure (Note 9)			(2,922)
		14,489*	Financing and investment income and expenditure (Note 10)			11,337
		(240,546)	Taxation and non-specific grant income (Note 11)			(221,876)
		<b>(8,079)*</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>13,566</b>
		(36,939)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets			(3,311)
		5,919	Impairment losses on non-current assets charged to the Revaluation Reserve			5,599
		-	Surplus or deficit on revaluation of available for sale financial assets			-
		20,961*	Actuarial (gains)/losses on pension assets/liabilities			12,245
		<b>(10,059)*</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>14,533</b>
		<b>(18,138)</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>28,099</b>

\* Prior year figures have been restated following a change in accounting policy relating to Pensions (note 39 provides further information).



# Balance Sheet

31 March 2012 (Restated) £000	31 March 2013 (Restated) £000		Notes	31 March 2014 £000
470,731	504,583	Property, Plant & Equipment	12	485,468
262	262	Heritage Assets	13	262
16,699	16,443	Investment Property	14	17,319
197	166	Intangible Assets	15	112
105	10,011	Investments	17	10
<b>487,994</b>	<b>531,465</b>	<b>Long Term Assets</b>		<b>503,171</b>
86	1,138	Assets Held for Sale	16	46
551	420	Inventories	18	499
14,282	15,908	Short Term Debtors	19	15,255
-	-	Short Term Investments		10,000
22,168	15,120	Cash and Cash Equivalents	20	17,744
<b>37,087</b>	<b>32,586</b>	<b>Current Assets</b>		<b>43,544</b>
(49)	(8,895)	Short Term Borrowing		(2,949)
(2,790)	(2,896)	Finance Leases including PFI/PPP	17	(3,227)
(33,962)	(34,081)	Short Term Creditors	21	(35,994)
(70)	(147)	Provisions – short term	22	(29)
<b>(36,871)</b>	<b>(46,019)</b>	<b>Current Liabilities</b>		<b>(42,199)</b>
(1,356)	(1,357)	Provisions – long term	22	(1,311)
(80,625)	(71,730)	Long Term Borrowing	17	(68,781)
(87,877)	(84,982)	PFI/PPP Finance Lease	17	(81,665)
(80,703)	(104,357)	Defined Benefit Pension Liability	39	(123,989)
(274)	(93)	Capital Grant Receipts in Advance	31	(1,356)
<b>(250,835)</b>	<b>(262,519)</b>	<b>Long Term Liabilities</b>		<b>(277,102)</b>
<b>237,375</b>	<b>255,513</b>	<b>Net Assets</b>		<b>227,414</b>
(45,282)	(49,068)	Usable Reserves	8	(52,968)
(192,093)	(206,445)	Unusable Reserves	23	(174,446)
<b>(237,375)</b>	<b>(255,513)</b>	<b>Total Reserves</b>		<b>(227,414)</b>

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

The unaudited accounts were issued on 25 June 2014  
The audited accounts were authorised for issue on 25<sup>th</sup> September 2014



## Cash Flow Statement

<b>2012/13 (Restated) £000</b>		<b>2013/14 £000</b>
(8,079)	Net (surplus) or deficit on the provision of services	13,566
(12,540)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	(35,247)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(20,619)	Net cash flows from Operating Activities	(21,681)
14,944	Investing Activities (Note 25)	7,176
12,723	Financing Activities (Note 26)	11,881
7,048	Net (increase) or decrease in cash and cash equivalents	(2,624)
(22,168)	Cash and cash equivalents at the beginning of the reporting period	(15,120)
<b>(15,120)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>	<b>(17,744)</b>



## 1. ACCOUNTING POLICIES

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### General Principles

The Statement of Accounts summarises the Authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14 and the Service Reporting Code of Practice 2013/14 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)

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### **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 or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### **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.



## Notes to the Accounts (cont'd)

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### 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. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### 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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination 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.

#### Post Employment Benefits

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

- The Teachers' Pension 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 worked 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



## Notes to the Accounts (cont'd)

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Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

### The Local Government Pension Scheme

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

- The current year has seen changes as to how the various components of cost for defined benefits schemes are to be classified as a result of the Code adopting amendments to IAS 19. The overall impact is cost neutral; however there has been a redistribution of costs within the comprehensive income and expenditure statement.
- 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 4.3% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities - current bid price
  - unquoted securities - professional estimate
  - unitised securities - current bid price
  - property - market value.

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

- Service cost comprising:
  - current service cost - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years - debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
  - net interest on the net defined benefit liability, i.e. net interest expenses for the authority – the change during the period in 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.





## Notes to the Accounts (cont'd)

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- Remeasurements comprising:
  - The return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pension Reserve as Other Comprehensive Income and Expenditure
  - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  
- Contributions paid to the Strathclyde Pension Fund – cash paid as employer's contributions to the pension fund settlement of liabilities; not accounted for as an expense.

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

### **Discretionary Benefits**

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

### **Common Good & Trusts**

The Council administers a Common Good Fund relating to Cowan Park. 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 asset. The Council remains responsible for all costs and any income relating to the asset and is entitled to the use of the asset. The fund's assets do not represent assets available to the Council and as such are not included on the Council's balance sheet. In addition, the Council also administers a number of trusts which it is the sole trustee for.



## Notes to the Accounts (cont'd)

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### Financial Instruments

#### Financial Liabilities

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

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

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

#### Financial Assets

Financial assets are classified as follows:

- loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market

#### Loans and Receivables

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. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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.



## Notes to the Accounts (cont'd)

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### **Available-for-Sale Assets**

Available-for-sale assets are defined as those non-derivative financial assets that are not classified under any other financial asset category. The Council do not have such transactions and have therefore not grouped the items in the Comprehensive Income and Expenditure statement into amounts that may be reclassifiable and amounts that are not.

### **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 both the Clarkston Business Improvement District and Giffnock Business Improvement District. These are managed by an umbrella group led by the East Renfrewshire Chamber of Commerce and local businesses, which secured an environmental improvements appraisal, marketing, publicity and events service for the areas of Clarkston and Giffnock. The Authority accounts for income received and expenditure incurred within the Planning and Development Services within the Comprehensive Income and Expenditure Statement.



## Notes to the Accounts (cont'd)

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### **The Carbon Reduction Commitment Scheme**

The authority is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which lasted until 31 March 2014. The authority is required to purchase and surrender allowances, currently retrospectively, 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.

#### **Heritage Assets – Tangible**

##### **Statues**

Six statues created by 19<sup>th</sup> century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequested to the Council and are open to the public on the annual Doors Open Day in September. The statues are reported in the Balance Sheet at market value 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.

#### **Heritage Assets – Tangible**

##### **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, provided by Registration Transfers, the largest dealer in number plates in Britain.

There are no depreciation charges on the heritage assets as it is considered that they will have indeterminate lives and high residual value.



## Notes to the Accounts (cont'd)

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### **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 only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. 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. An asset is tested for impairment whenever there is an indication that the asset might be impaired - any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line 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 associates and require 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 using either the FIFO or weighted average costing formulas.



## Notes to the Accounts (cont'd)

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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.

### **Investment Property**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

### **Jointly Controlled Operations and Jointly Controlled Assets**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### **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)

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

### **The Authority as Lessee**

#### **Finance Leases**

East Renfrewshire Council does not account for any finance leases as a lessee

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Authority as Lessor**

#### **Finance Leases**

East Renfrewshire Council does not account for any finance leases as a lessor.

#### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (eg there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

### **Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2013/14* (SERCOP). The total absorption costing principle is used - the full cost of overheads and support services is shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Authority's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

The two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.



## Notes to the Accounts (cont'd)

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### 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 (ie 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 - fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued annually. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)





## Notes to the Accounts (cont'd)

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Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **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.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### **Depreciation**

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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 calculated on the following bases:

- dwellings and other buildings - straight-line allocation over the useful life of the property as estimated by the valuer



## Notes to the Accounts (cont'd)

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- vehicles, plant, furniture and equipment - a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure - straight-line allocation over 29 years.

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### **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.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

The written-off value of disposals is not a charge against council tax, as the cost of fixed 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)

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

East Renfrewshire Council operates 3 PFI/PPP projects. Please see note 35 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI 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 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.



## Notes to the Accounts (cont'd)

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

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

### **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. A minority of qualifying employees have however not accepted the compensation offer and have indicated that they wish to progress their claim through an employment tribunal. In addition a number of other employee groups have submitted claims. Provision has been incorporated within the Accounts to reflect the potential outcome of such claims.

### **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



## Notes to the Accounts (cont'd)

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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 - these reserves are explained in the relevant policies.

### 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. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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For 2013-2014 the material accounting policy changes that need to be reported relate to group accounts and are covered by the three standards namely IFRS10 Consolidated Financial Statements, IFRS11 Joint Arrangements and IFRS12 Disclosure of interest in other entities. Broadly, these changes amend the definition of control for accounting purposes in group accounts, however it is unlikely that they will have any impact on the Council accounts.

There are revisions to four other standards, none of which are considered will make any material change to the Council's current financial reporting namely IAS 27 Separate Financial Statements, IAS 28 Investments in Associates and Joint Ventures, IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements.

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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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 had £1m invested in the Heritable Bank, a UK based subsidiary of the Icelandic bank, Landsbanki. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst and Young outlined that the return to the creditors was to be



## Notes to the Accounts (cont'd)

94p in the £ by Autumn 2013. As at 31 March 2014 the Council has received 14 payments totalling £988,238. No further dividends are expected.

- The Council has entered into 3 Private Financial Initiatives/Public Private Partnership 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.

### 4. 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 2014 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 from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £0.311m for every year that useful lives had to be reduced.
<b>Provisions</b>	The Authority has made a provision of £0.96m for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is now likely that most valid claims have been received by the Authority but precedents set by other authorities in the settlement of claims could still be applicable.	An increase over the forthcoming year of 10% in the estimated average settlement would have the effect of adding £0.091m to the provision needed.
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £59.48m, a 1 year increase in member life expectancy will result in an increase in liabilities of £14.12m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £38.92m.
<b>Arrears</b>	At 31 March 2014, the Authority had a balance of sundry debtors of £3.7m. A review of significant balances suggested that an impairment of doubtful debts of 22% (£0.8) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £0.8m to be set aside as an allowance.



## Notes to the Accounts (cont'd)

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

### 5. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - MATERIAL ITEMS OF INCOME AND EXPENSE

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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	3,130
Sale Proceeds	(7,364)
(profit)/loss on disposal	<u>(4,234)</u>

### 6. EVENTS AFTER THE BALANCE SHEET DATE

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The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 25 June 2014. 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 2014, 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)

### 7. 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. All movements can be traced through note 23.

2013/14

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(32,751)	(5,022)		37,773
Movements in the fair value of investment properties (Note 14)	2,311	13		(2,324)
Amortisation of intangible assets (Note 15)	(56)	(1)		57
Capital grants and contributions applied (Note 33)	6,957	-		(6,957)
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	4,234	-		(4,234)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	10,487	2,089		(12,576)
Capital expenditure charged against the General Fund and HRA balances	1,485	217		(1,702)
Voluntary provision for repayment of debt	225	-		(225)
<b>Adjustments primarily involving the Capital Reserve:</b>				
Use of the Capital Reserve to finance new capital expenditure (Note 33)	-	-	-	-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
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	8	-	-	(8)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 23)	(7,108)	(279)	-	7,387
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>				
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 23)	(276)	1	-	275
<b>Total Adjustments (See MIRS)</b>	<b>(14,484)</b>	<b>(2,982)</b>	<b>-</b>	<b>17,466</b>





## Notes to the Accounts (cont'd)

2012/13

	General Fund Balance £'000	Housing Revenue Account £'000	Capital Reserve £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>				
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and impairment of non-current assets	(21,780)	(5,021)	-	26,801
Movement in the fair value of investment properties (Note 14)	(106)	(86)		192
Amortisation of intangible assets (Note 15)	(84)			84
Capital grants and contributions applied (Note 33)	16,160	310		(16,470)
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	132	(364)		232
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Statutory provision for the financing of capital investment	10,066	1,808		(11,874)
Capital expenditure charged against the General Fund and HRA balances	1,533	160		(1,693)
Voluntary provision for repayment of debt	224			(224)
<b>Adjustments primarily involving the Capital Reserve:</b>				
Use of the Capital Reserve to finance new capital expenditure (Note 33)			4,950	(4,950)
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>				
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	8			(8)
<b>Adjustments primarily involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 23)	(2,700)	7		2,693
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences account</b>				
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 23)	(902)	(22)		924
<b>Total Adjustments (See MIRS)</b>	<b>2,551</b>	<b>(3,208)</b>	<b>4,950</b>	<b>(4,293)</b>



## Notes to the Accounts (cont'd)

### 8. MOVEMENT IN RESERVES STATEMENT TRANSFERS 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 2013/14.

	Balance at 1 April 2012	Transfers Out 2012/13	Transfers in 2012/13	Balance at 31 March 2013	Transfers Out 2013/14	Transfers In 2013/14	Balance at 31 March 2014
	£000	£000	£000	£000	£000	£000	£000
<b>Non-earmarked Reserve</b>	(9,047)	9,302	(8,774)	(8,519)	4,403	(4,392)	(8,508)
Equalisation Reserve	(1,144)	-	(10)	(1,154)	-	(531)	(1,685)
Modernisation Fund	(1,479)	357	(1,014)	(2,136)	332	(1,017)	(2,821)
Unspent Grants	(1,040)	1,040	(399)	(399)	399	(328)	(328)
Whitelees Wind Farm	(685)	254	(218)	(649)	229	(223)	(643)
Commuted Sums	(415)	34	(295)	(676)	-	(257)	(933)
<b>General Fund Total</b>	<b>(13,810)</b>	<b>10,987</b>	<b>(10,710)</b>	<b>(13,533)</b>	<b>5,363</b>	<b>(6,748)</b>	<b>(14,918)</b>
HRA	(1,010)	88	-	(922)	415	-	(507)
Capital Reserve	(20,870)	4,950	(6,313)	(22,233)	-	(4,180)	(26,413)
Repairs and Renewal Fund	(8,412)	1,906	(4,584)	(11,090)	3,361	(1,687)	(9,416)
Insurance Fund	(1,180)	-	(110)	(1,290)	186	(610)	(1,714)
<b>Total</b>	<b>(45,282)</b>	<b>17,931</b>	<b>(21,717)</b>	<b>(49,068)</b>	<b>9,325</b>	<b>(13,225)</b>	<b>(52,968)</b>

### 9. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT - OTHER OPERATING EXPENDITURE

	2013/14 £'000	2012/13 £'000
(Gain)/Loss on disposal of Fixed Asset	(2,794)	227
Rental Income – operating lease over property, plant & equipment	(128)	(118)
	<b>(2,922)</b>	<b>109</b>



## Notes to the Accounts (cont'd)

### 10. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - FINANCING AND INVESTMENT INCOME AND EXPENDITURE

	2013/14	2012/13
	£000	£000
Interest payable and similar charges	11,629	11,998
Pension interest costs and expected return on pensions assets	4,755	3,613
Interest receivable and similar income	(829)	(913)
Income and expenditure in relation to investment properties and changes in their fair value	(4,218)	(209)
<b>Total</b>	<b>11,337</b>	<b>14,489</b>

### 11. COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - TAXATION AND NON SPECIFIC GRANT INCOMES

	2013/14	2012/13
	£000	£000
Council tax income (including Scottish Welfare Fund)	(44,773)	(44,525)
Non domestic rates	(13,960)	(12,941)
Non ringfenced government grants	(156,186)	(166,123)
Capital grants and contributions	(6,957)	(16,957)
<b>Total</b>	<b>(221,876)</b>	<b>(240,546)</b>



## 12. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances

#### Movements in 2013/14

	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
<b>Cost or Valuation</b>									
<b>At 1 April 2013</b>	<b>138,040</b>	<b>212,688</b>	<b>21,060</b>	<b>28,347</b>	<b>651</b>	-	<b>23,026</b>	<b>120,062</b>	<b>543,874</b>
additions	2,754	5,989	3,878	2,069	272	-	5,887	670	21,519
donations	-	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	(1,669)	(766)	-	-	-	-	-	147	(2,288)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	-	(21,930)	-	-	-	-	-	-	(21,930)
derecognition - disposals	(676)	-	(1,082)	-	-	-	-	-	(1,758)
derecognition - other	-	-	(13)	-	-	-	-	-	(13)
assets reclassified (to)/from Held for Sale	(48)	-	-	-	-	-	-	-	(48)
other movements in cost or valuation	(4,432)	24,546	-	-	-	-	(27,798)	(2,107)	(9,791)
<b>At 31 March 2014</b>	<b>133,969</b>	<b>220,527</b>	<b>23,843</b>	<b>30,416</b>	<b>923</b>	-	<b>1,115</b>	<b>118,772</b>	<b>529,565</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>at 1 April 2013</b>	<b>(9,065)</b>	<b>(3,622)</b>	<b>(14,921)</b>	<b>(4,859)</b>	-	-	-	<b>(6,824)</b>	<b>(39,291)</b>
depreciation charge	(4,867)	(4,295)	(3,083)	(881)	-	-	-	(2,704)	(15,830)
depreciation written out on revaluation and disposal	4,201	3,622	1,082	-	-	-	-	2,107	11,012
derecognition	-	-	12	-	-	-	-	-	12
<b>At 31 March 2014</b>	<b>(9,731)</b>	<b>(4,295)</b>	<b>(16,910)</b>	<b>(5,740)</b>	-	-	-	<b>(7,421)</b>	<b>(44,097)</b>
<b>Net Book Value</b>									
<b>At 31 March 2014</b>	<b>124,238</b>	<b>216,232</b>	<b>6,933</b>	<b>24,676</b>	<b>923</b>	-	<b>1,115</b>	<b>111,351</b>	<b>485,468</b>
<b>At 31 March 2013</b>	<b>128,975</b>	<b>209,066</b>	<b>6,139</b>	<b>23,488</b>	<b>651</b>	-	<b>23,026</b>	<b>113,238</b>	<b>504,583</b>



## Notes to the Accounts (cont'd)

### Comparative Movements in 2012/13

	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
<b>Cost or Valuation</b>									
<b>at 1 April 2012</b>	<b>112,420</b>	<b>229,926</b>	<b>21,415</b>	<b>26,568</b>	<b>609</b>	-	<b>7,640</b>	<b>108,109</b>	<b>506,687</b>
additions	4,240	5,800	2,381	1,720	42	-	16,590	984	31,757
donations	-	-	-	-	-	-	-	-	-
revaluation increases/ (decreases) recognised in the Revaluation Reserve	25,299	(5,191)	-	-	-	-	-	10,945	31,053
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	110	(13,599)	-	-	-	-	-	1,841	(11,648)
derecognition - disposals	(269)	(280)	(478)	-	-	-	-	-	(1,027)
derecognition - other	(347)	-	(2,258)	-	-	-	-	-	(2,605)
assets reclassified (to)/from Held for Sale	(74)	(96)	-	-	-	-	-	-	(170)
other movements in cost or valuation	(3,339)	(3,872)	-	59	-	-	(1,204)	(1,817)	(10,173)
<b>At 31 March 2013</b>	<b>138,040</b>	<b>212,688</b>	<b>21,060</b>	<b>28,347</b>	<b>651</b>	-	<b>23,026</b>	<b>120,062</b>	<b>543,874</b>
<b>Accumulated Depreciation and Impairment</b>									
<b>at 1 April 2012</b>	(7,431)	(3,892)	(14,669)	(4,049)	-	-	-	(5,915)	(35,956)
depreciation charge	(4,995)	(3,622)	(2,988)	(810)	-	-	-	(2,726)	(15,141)
depreciation written out on Revaluation and disposal	3,350	3,892	478	-	-	-	-	1,817	9,537
derecognition - other transfer	11	-	2,258	-	-	-	-	-	2,269
<b>At 31 March 2013</b>	<b>(9,065)</b>	<b>(3,622)</b>	<b>(14,921)</b>	<b>(4,859)</b>	-	-	-	<b>(6,824)</b>	<b>(39,291)</b>



## Notes to the Accounts (cont'd)

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### 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 - 29 years
- Community Assets - 30 - 50 years

### Capital Commitments

At 31 March 2014, the Authority entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2014/15 and future years. The major commitments include:-

	£'000
■ Barrhead High School (New Build)	11,452
■ Eastwood Health & Care Centre	6,500
■ Barrhead Learning & Leisure Hub	2,607
■ Auchinback Family Centre and Community Hub	3,400

### 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)

### 13. 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						
<b>At 1 April 2013</b>	117	65	182	80	80	262
additions	-	-	-	-	-	-
donations	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
derecognition – disposals	-	-	-	-	-	-
derecognition - other	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31 March 2014</b>	117	65	182	80	80	262



## Notes to the Accounts (cont'd)

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	TOTAL HERITAGE ASSETS £000
Cost or valuation						
<b>At 1 April 2012</b>	117	65	182	80	80	262
additions	-	-	-	-	-	-
donations	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-	-	-	-	-	-
derecognition – disposals	-	-	-	-	-	-
derecognition - other	-	-	-	-	-	-
Other movements in cost or valuation	-	-	-	-	-	-
<b>At 31 March 2013</b>	117	65	182	80	80	262

Further details on Heritage Assets can be found in note 42





## Notes to the Accounts (cont'd)

### 14. INVESTMENT PROPERTIES

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

	2013/14 £000	2012/13 £000
Rental income from investment property	454	406

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2013/14 £000	2012/13 £000
<b>Balance at start of the year</b>	16,443	16,699
Additions:		
■ Purchases	-	-
■ Construction	-	-
■ Subsequent expenditure	-	1
Disposals	(1,338)	(175)
Net gains/losses from fair value adjustments	2,324	(192)
Transfers:		
■ to/from Inventories	-	-
■ to/from Property, Plant and Equipment	(110)	110
Other changes	-	-
<b>Balance at end of the year</b>	<b>17,319</b>	<b>16,443</b>



## Notes to the Accounts (cont'd)

### 15. 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 £57k charged to revenue in 2013/14 was charged to three services, the Education Department (£10k), the Housing Revenue Account (£1k) and the IT Administration cost centre (£46k) which was then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

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

	2013/14 Software Licences £000	2012/13 Software Licences £000
<b>Balance at start of year:</b>		
■ Gross carrying amounts	1,037	1,006
■ Accumulated amortisation	(871)	(809)
Net carrying amount at start of year	<b>166</b>	<b>197</b>
Additions:		
■ Internal development	-	-
■ Purchases	21	53
■ Acquired through business combinations	-	-
Amortisation for the period	(57)	(84)
Other changes	-	-
Derecognition		
■ Gross Book Value	(216)	(21)
■ Accumulated amortisation	198	21
Net carrying amount at end of year	<b>112</b>	<b>166</b>
Comprising:		
■ Gross carrying amounts	842	1,037
■ Accumulated amortisation	(730)	(871)
<b>Balance at end of year:</b>	<b>112</b>	<b>166</b>



## Notes to the Accounts (cont'd)

### 16. ASSETS HELD FOR SALE

	Current Assets 2013/14 £000	Current Assets 2012/13 £000
<b>Balance outstanding at start of year</b>	<b>1,138</b>	<b>86</b>
Assets newly classified as held for sale:		
■ Property, Plant and Equipment	46	1,205
■ Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	(33)
Revaluation gains	-	-
Impairment losses	-	(17)
Assets declassified as held for sale:		
■ Property, Plant and Equipment	-	-
■ Other assets/liabilities in disposal groups	-	-
Assets sold	(1,138)	(86)
Transfers from non-current to current	-	(17)
<b>Balance outstanding at year-end</b>	<b>46</b>	<b>1,138</b>



## Notes to the Accounts (cont'd)

### 17. FINANCIAL INSTRUMENTS

#### Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
<b>Investments</b>				
Loans and receivables	10	10,011	27,775	19,318
<b>Total Investments</b>	<b>10</b>	<b>10,011</b>	<b>27,775</b>	<b>19,318</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost (including Bank overdraft)	(68,781)	(71,730)	(3,003)	(13,009)
<b>Total Borrowings</b>	<b>(68,781)</b>	<b>(71,730)</b>	<b>(3,003)</b>	<b>(13,009)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(81,665)	(84,982)	(3,227)	(2,896)
<b>Total other long term liabilities</b>	<b>(81,665)</b>	<b>(84,982)</b>	<b>(3,227)</b>	<b>(2,896)</b>



## Notes to the Accounts (cont'd)

The gains and losses recognised in the Comprehensive Income & Expenditure statement in relation to financial instruments are as follows:-

	2013/14 £'000			2012/13		
	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	5,228	-	5,228	5,536	-	5,536
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>5,228</b>	<b>-</b>	<b>5,228</b>	<b>5,536</b>	<b>-</b>	<b>5,536</b>
Interest income	-	(232)	(232)	-	(250)	(250)
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>-</b>	<b>(232)</b>	<b>(232)</b>	<b>-</b>	<b>(250)</b>	<b>(250)</b>
<b>Net (gain)/loss for the year</b>	<b>5,228</b>	<b>(232)</b>	<b>4,996</b>	<b>5,536</b>	<b>(250)</b>	<b>5,286</b>



## Notes to the Accounts (cont'd)

### Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- estimated ranges of interest rates at 31 March 2014 of 3.02% to 11.625% for loans from the PWLB and 4.50% to 4.65% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount

The fair values calculated are as follows:

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	71,730	85,064	80,625	99,294

The fair value of the liabilities is higher than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2014) arising from a commitment to pay interest to lenders above current market rates.

	31 March 2014		31 March 2013	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Loans and receivables	27,775	27,805	29,318	29,501
Investments	<u>10</u>	<u>10</u>	<u>11</u>	<u>11</u>
	<u>27,785</u>	<u>27,815</u>	<u>29,329</u>	<u>29,512</u>

The fair value of the assets is similar to the carrying amount because the Authority's portfolio of investments 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.



## Notes to the Accounts (cont'd)

### 18. INVENTORIES

	Consumable Stores		Maintenance Materials		Total	
	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000	2013/14 £000	2012/13 £000
<b>Balance outstanding at start of year</b>	214	191	206	360	420	551
Purchases	2,878	2,397	593	809	3,471	3,206
Recognised as an expense in the year	(2,884)	(2,374)	(508)	(963)	(3,392)	(3,337)
Written off balances	-	-	-	-	-	-
<b>Balance outstanding at year-end</b>	<b>208</b>	<b>214</b>	<b>291</b>	<b>206</b>	<b>499</b>	<b>420</b>

### 19. DEBTORS

	31 March 2014 £000	31 March 2013 £000
Central government bodies	6,157	6,627
Other local authorities	1,388	896
NHS bodies	2,953	1,327
Public corporations and trading funds	780	713
Interest due from investments	40	101
Other entities and individuals	3,937	6,244
<b>Total</b>	<b>15,255</b>	<b>15,908</b>

### 20. CASH FLOW STATEMENT - CASH AND CASH EQUIVALENTS

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

	31 March 2014 £000	31 March 2013 £000
Cash held by the Authority	24	24
Bank current accounts	(55)	(4,114)
Short-term deposits	17,775	19,210
<b>Total Cash and Cash Equivalents</b>	<b>17,744</b>	<b>15,120</b>



## Notes to the Accounts (cont'd)

### 21. CREDITORS

	31 March 2014 £000	31 March 2013 £000
Central government bodies	(3,334)	(4,971)
Other local authorities	(2,038)	(2,369)
NHS bodies	(1,294)	(639)
Public corporations and trading funds	(99)	(350)
Interest due on Long term Borrowing	(1,163)	(1,288)
Other entities and individuals	(28,066)	(24,464)
<b>Total</b>	<b>(35,994)</b>	<b>(34,081)</b>

### 22. PROVISIONS

	Teachers Maternity Pay £000	CHCP Legal Provision £'000	Short term provisions £'000	Equal pay £'000	SRC Operations £'000	Insurance Excess £'000	Long term provisions £'000
<b>Balance at 1 April 2013</b>	(107)	(40)	<b>(147)</b>	(1,046)	(184)	(127)	<b>(1,357)</b>
Additional provisions made in 2013/14	(29)	-	<b>(29)</b>	(100)	-	(167)	<b>(267)</b>
Amounts used in 2013/14	69	40	<b>109</b>	186	-	99	<b>285</b>
Unused amounts reversed in 2013/14	38	-	<b>38</b>	-	-	28	<b>28</b>
<b>Balance at 31 March 2014</b>	(29)	-	<b>(29)</b>	(960)	(184)	(167)	<b>(1,311)</b>

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

Three long term provisions have been made in the accounts totalling £1,311k. These are made up firstly of £960k to reflect the potential outcome of claims through an employment tribunal in respect of equal pay. Secondly, there is 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%. At present potential liabilities in respect of actual insurance and various legal actions is estimated to be £184k. Lastly there is a provision of £167k to cover insurance excess for outstanding claims made against the Council.





## Notes to the Accounts (cont'd)

### 23. BALANCE SHEET - UNUSABLE RESERVES

	31 March 2014 £000	31 March 2013 £000
Revaluation Reserve	(58,474)	(63,238)
Capital Adjustment Account	(247,408)	(254,969)
Financial Instruments Adjustment Account	2,394	2,627
Pensions Reserve	123,989	104,357
Statutory Accumulating Compensated Absences Account	5,053	4,778
<b>Total Unusable Reserves</b>	<b>(174,446)</b>	<b>(206,445)</b>

#### 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(63,238)</b>	<b>(34,952)</b>
Upward revaluation of assets	(3,311)	(36,972)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	5,599	5,919
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-	33
Difference between fair value depreciation and historical cost depreciation	2,186	2,247
Accumulated gains on assets sold or scrapped	290	487
Amount written off to the Capital Adjustment Account	-	-
<b>Balance at 31 March</b>	<b>(58,474)</b>	<b>(63,238)</b>



## 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 is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties.

The Account also 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 7 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>(254,969)</b>	<b>(244,557)</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account		
<ul style="list-style-type: none"> <li>■ Charges for depreciation and impairment of non-current assets</li> <li>■ Revaluation losses on Property, Plant and Equipment</li> <li>■ PPP/PFI lifecycle costs</li> <li>■ Amortisation of intangible assets</li> <li>■ Revenue expenditure funded from capital under statute</li> <li>■ 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</li> <li>■ Miscellaneous</li> </ul>	35,449 (695) 57 - 3,130 -	26,993 - (672) 84 - 1,136 -
Net written out amount of the cost of non-current assets consumed in the year	(217,028)	(217,016)
Adjusting amounts written out of the Revaluation Reserve	(2,476)	(2,734)
	(219,504)	(219,750)



## Notes to the Accounts (cont'd)

	2013/14 £000	2012/13 £000
Capital financing applied in the year:		
■ Use of the Capital Receipts to finance new capital expenditure	(7,364)	(904)
■ Grants applied to Capital Investment	(6,957)	(16,470)
■ PPP/PFI Finance lease Repayments	(2,986)	(2,789)
■ Loan Repayments for the financing of capital investment charged against the General Fund and HRA balances	(9,590)	(9,085)
■ Capital Funded from Current Revenue/capital reserve	(1,007)	(5,971)
<b>Balance at 31 March</b>	<b>(247,408)</b>	<b>(254,969)</b>

### 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. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. 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 2014 will be charged to the General Fund over the next 10 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>2,627</b>	<b>2,859</b>
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements	(225)	(224)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(8)	(8)
<b>Balance at 31 March</b>	<b>2,394</b>	<b>2,627</b>



## 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>104,357</b>	<b>80,703</b>
Actuarial (gains) or losses on pensions assets and liabilities	12,245	20,961
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	17,321	12,249
Employer's pension contributions and direct payments to pensioners payable in the year	(9,934)	(9,556)
<b>Balance at 31 March</b>	<b>123,989</b>	<b>104,357</b>

### 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, eg 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.

	2013/14 £000	2012/13 £000
<b>Balance at 1 April</b>	<b>4,778</b>	<b>3,854</b>
Settlement or cancellation of accrual made at the end of the preceding year	(4,778)	(3,854)
Amounts accrued at the end of the current year	5,053	4,778
<b>Balance at 31 March</b>	<b>5,053</b>	<b>4,778</b>



## Notes to the Accounts (cont'd)

### 24. CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
Interest received	(222)	(279)
Interest paid	5,635	5,989
Interest element of finance lease rental and PPP/PFI payment	6,149	6,356

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

	<b>2013/14 £000</b>	<b>2012/13 £000</b>
Depreciation and impairment	(35,449)	(27,186)
Amortisation of intangible assets	(57)	(84)
(Increase)/decrease in creditors	(1,494)	(436)
Increase/(decrease) in debtors	(2,362)	1,398
Increase/(decrease) in inventories	78	(130)
Movement in pension liability	(7,387)	(2,693)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	4,234	(232)
Other non-cash items charged to the net surplus or deficit on the provision of services	7,190	16,823
	<b>(35,247)</b>	<b>(12,540)</b>



## Notes to the Accounts (cont'd)

### 25. CASH FLOW STATEMENT - INVESTING ACTIVITIES

	2013/14 £000	2012/13 £000
Purchase of property, plant and equipment, investment property and intangible assets	19,562	31,600
Purchase of short-term and long-term investments	380,450	446,460
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7,364)	(904)
Proceeds from short-term and long-term investments	(380,558)	(446,588)
Other receipts from investing activities	(4,914)	(15,624)
<b>Net cash flows from investing activities</b>	<b>7,176</b>	<b>14,944</b>

### 26. CASH FLOW STATEMENT - FINANCING ACTIVITIES

	2013/14 £000	2012/13 £000
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	2,986	2,794
Repayments of short and long-term borrowing	8,895	10,049
Other payments for financing activities	-	(120)
<b>Net cash flows from financing activities</b>	<b>11,881</b>	<b>12,723</b>

### 27. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Full Council on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statement. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.



## Notes to the Accounts (cont'd)

The income and expenditure of the Authority's service directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2013/14	Education	Community Health & Care Partnership	Community Resources	Environment	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(15,720)	(12,320)	(1,558)	(12,822)	(42,420)
Government grants	(1,262)	(1,284)	(30)	(564)	(3,140)
<b>Total Income</b>	<b>(16,982)</b>	<b>(13,604)</b>	<b>(1,588)</b>	<b>(13,386)</b>	<b>(45,560)</b>
Employee expenses	83,574	20,588	3,192	11,452	118,806
Other service expenses	43,397	36,540	2,278	23,156	105,371
Support service recharges	4,755	2,514	902	2,822	10,993
<b>Total Expenditure</b>	<b>131,726</b>	<b>59,642</b>	<b>6,372</b>	<b>37,430</b>	<b>235,170</b>
<b>Net Expenditure</b>	<b>114,744</b>	<b>46,038</b>	<b>4,784</b>	<b>24,044</b>	<b>189,610</b>
Directorate Income and Expenditure 2012/13 comparative Figures	Education	Community Health & Care Partnership	Community Resources	Environment	Total
	£000	£000	£000	£000	£000
Fees, charges & other service income	(16,228)	(9,491)	(1,070)	(12,355)	(39,144)
Government Grants	(409)	(2,598)	-	(878)	(3,885)
<b>Total Income</b>	<b>(16,637)</b>	<b>(12,089)</b>	<b>(1,070)</b>	<b>(13,233)</b>	<b>(43,029)</b>
Employee expenses	83,190	19,949	3,045	11,621	117,805
Other service expenses	43,527	33,485	1,948	22,983	101,943
Support service recharges	4,603	2,883	856	3,298	11,640
<b>Total Expenditure</b>	<b>131,320</b>	<b>56,317</b>	<b>5,849</b>	<b>37,902</b>	<b>231,388</b>
<b>Net Expenditure</b>	<b>114,683</b>	<b>44,228</b>	<b>4,779</b>	<b>24,669</b>	<b>188,359</b>



## Notes to the Accounts (cont'd)

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### Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Net expenditure in the Directorate Analysis	189,610	188,359
Net expenditure of services and support services not included in the Analysis	9,079	18,876
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	32,275	20,823
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(3,937)	(10,189)
<hr/>		
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>227,027</b>	<b>217,869</b>





## Notes to the Accounts (cont'd)

### Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(42,420)	(19,370)	-	-	(4,115)	(65,905)	(128)	(66,033)
Interest and Investment income	-	-	597	(280)	-	317	(829)	(512)
Income from council tax	-	-	-	-	-	-	(44,773)	(44,773)
Government grants and Contributions	(3,140)	(16,277)	71	-	(142)	(19,488)	(177,103)	(196,591)
<b>Total Income</b>	<b>(45,560)</b>	<b>(35,647)</b>	<b>668</b>	<b>(280)</b>	<b>(4,257)</b>	<b>(85,076)</b>	<b>(222,833)</b>	<b>(307,909)</b>
Employee expenses	118,806	4,855	2,673	-	12,331	138,665	4,755	143,420
Other service expenses	105,371	35,701	(5,388)	(3,657)	5,905	137,932	-	137,932
Support Service recharges	10,993	4,170	-	-	(15,163)	-	-	-
Depreciation, amortisation and Impairment	-	-	34,322	-	1,184	35,506	-	35,506
Interest Payments	-	-	-	-	-	-	8,851	8,851
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(4,234)	(4,234)
<b>Total Expenditure</b>	<b>235,170</b>	<b>44,726</b>	<b>31,607</b>	<b>(3,657)</b>	<b>4,257</b>	<b>312,103</b>	<b>9,372</b>	<b>321,475</b>
<b>Surplus or deficit on the provision of services</b>	<b>189,610</b>	<b>9,079</b>	<b>32,275</b>	<b>(3,937)</b>	<b>-</b>	<b>227,027</b>	<b>(213,461)</b>	<b>13,566</b>



## Notes to the Accounts (cont'd)

2012/13	Directorate Analysis £000	Services and Support Services not in Analysys £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(39,144)	(16,408)	-	-	(4,780)	(60,332)	(338)	(60,670)
Interest and Investment income	-	-	663	(283)	-	380	(913)	(533)
Income from council tax	-	-	-	-	-	-	(44,525)	(44,525)
Government grants and contributions	(3,885)	(21,666)	641	-	(4,315)	(29,225)	(196,021)	(225,246)
<b>Total Income</b>	<b>(43,029)</b>	<b>(38,074)</b>	<b>1,304</b>	<b>(283)</b>	<b>(9,095)</b>	<b>(89,177)</b>	<b>(241,797)</b>	<b>(330,974)</b>
Employee expenses	117,805	3,960	175	-	12,064	134,004	3,613	137,617
Other service expenses	101,943	48,785	(6,946)	(9,906)	11,896	145,772	-	145,772
Support Service recharges	11,640	4,205	-	-	(15,845)	-	-	-
Depreciation, amortisation and Impairment	-	-	26,290	-	980	27,270	-	27,270
Interest Payments	-	-	-	-	-	-	12,004	12,004
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	232	232
<b>Total Expenditure</b>	<b>231,388</b>	<b>56,950</b>	<b>19,519</b>	<b>(9,906)</b>	<b>9,095</b>	<b>307,046</b>	<b>15,849</b>	<b>322,895</b>
<b>Surplus or deficit on the provision of services</b>	<b>188,359</b>	<b>18,876</b>	<b>20,823</b>	<b>(10,189)</b>	<b>-</b>	<b>217,869</b>	<b>(225,948)</b>	<b>(8,079)</b>



## Notes to the Accounts (cont'd)

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### 28. TRADING OPERATIONS

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The provisions of the Local Government in Scotland Act 2003 require the Council to identify significant trading operations (STO) and to ensure that they achieve a break-even trading position over a three year period.

The Council no longer operates any significant trading operations.

### 29. AGENCY SERVICES

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

During 2013/14 the Council collected and paid over £15.1m (2012/13 £14.6m) and received £0.225m (2012/13 £0.212m) for providing the service.

### 30. EXTERNAL AUDIT COSTS

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The Authority has incurred the following costs in relation to its external audit and inspection.

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Agreed Audit Scotland audit fee for the year	<b>223</b>	223



## Notes to the Accounts (cont'd)

### 31. GRANT INCOME

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

	2013/14 £000	2012/13 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	156,186	166,123
Non Domestic Rates	13,960	12,941
Capital Grants and Contributions	6,957	16,957
<b>Total</b>	<b>177,103</b>	<b>196,021</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	15,245	15,447
Housing Benefit Administration Grant	120	161
Council Tax Benefit	-	4,165
Council Tax Administration Grant	130	148
Active School Programme	257	223
Drug Treatment and Testing	519	586
Criminal Justice Grant	504	563
Private Sector Housing Grant	356	282
Strathclyde Joint Police Board	-	5,059
Miscellaneous Revenue Grants	2,357	2,591
<b>Total</b>	<b>196,591</b>	<b>225,246</b>

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 2014 £000
<b>Capital Grants Receipts in Advance</b>	
Developer's Contributions	1,226
Energy Grant	130
Miscellaneous	-
	<b>1,356</b>



### 32. RELATED PARTIES

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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.

#### **Central Government**

Central 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 the subjective analysis in Note 27 on reporting for resources allocation decisions and are listed in note 31.

#### **Members**

Members of the Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2013/14 is shown on page 17. 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 Chief Executive's 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. When this situation arises 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. 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 Chief Executive's Department at the Council Headquarters. Remuneration paid to senior employees is shown on page 16.



## Notes to the Accounts (cont'd)

### 33. CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2013/14 £000	2012/13 £000
<i>Opening Capital Financing Requirement</i>	204,399	208,479
<i>Capital investment</i>		
Property, Plant and Equipment	21,519	31,757
Investment Properties	-	1
Intangible Assets	21	53
Revenue Expenditure Funded from Capital under Statute	-	-
<i>Sources of finance</i>		
Capital Reserve/Modernisation Fund/Repairs & Renewals	(320)	(4,950)
Capital receipts	(7,364)	(904)
Government grants and other contributions	(6,957)	(16,470)
<b>Sums set aside from revenue:</b>		
Direct revenue contributions	(687)	(1,021)
Finance lease Principal Repayments (including PFI/PPP Projects)	(3,681)	(3,461)
Loans fund principal	(9,590)	(9,085)
<i>Closing Capital Financing Requirement</i>	<b>197,340</b>	<b>204,399</b>
<i>Explanation of movements in year</i>		
Increase in underlying need to borrow	(4,073)	(1,291)
Assets acquired under lease and lease type arrangements	(2,986)	(2,789)
<i>Increase/(decrease) in Capital Financing Requirement</i>	<b>(7,059)</b>	<b>(4,080)</b>



## Notes to the Accounts (cont'd)

### 34. LEASES

#### AUTHORITY AS LESSEE

##### Finance Leases

East Renfrewshire Council does not operate as a lessee for any financial leases.

##### 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 2014 £000	31 March 2013 £000
Not later than one year	408	402
Later than one year and not later than five years	1,309	1,405
Later than five years	3,075	3,364
	<b>4,792</b>	<b>5,171</b>

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was.

	2013/14 £000	2012/13 £000
Minimum Lease payments	405	403
Contingent Rents	-	-
	<b>405</b>	<b>403</b>



## Notes to the Accounts (cont'd)

### AUTHORITY AS A LESSOR

#### Finance Leases

East Renfrewshire Council does not operate as a lessor for any finance leases.

#### Operating Leases

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

- for the provision of community services, such as sports facilities, tourism services and community centres
- 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 2014 £000	31 March 2013 £000
Not later than one year	100	120
Later than one year and not later than five years	413	323
Later than five years	8,475	7,283
	<b>8,988</b>	<b>7,726</b>

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 2013/14 £3,704 contingent rents were receivable by the Authority (2012/13 £NIL).

## 35. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### (i) Schools PFI Contract

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

The services are the provision of a new Mearns Primary School and an extension to St 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 12.





## Notes to the Accounts (cont'd)

### Movement in Value of Assets

	£'000
Valuation at 1 April 2013	21,654
Additions / Revaluations	(406)
Depreciation in Year	10
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	<b>21,258</b>

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 remaining 13 years of the contract period before inflation will be £29.9m and the total value of income from the Scottish Government will be £16.25m resulting in a net outstanding undischarged obligation before inflation of £13.65m.

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

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

	Liability £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 year	666	1,334	1,054	3,054
Within 2 to 5 years	1,627	4,559	6,801	12,987
Within 6 to 10 years	4,945	6,016	7,186	18,147
Within 11 to 15 years	2,498	1,931	3,492	7,921
<b>ESTIMATED TOTAL</b>	<b>9,736</b>	<b>13,840</b>	<b>18,533</b>	<b>42,109</b>



## Notes to the Accounts (cont'd)

### (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 12.

#### Movement in value of ERC Assets

	<b>£'000</b>
Valuation at 1 April 2013	<b>31,052</b>
Additions / Revaluations	158
Depreciation in Year	(633)
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	<b>30,577</b>

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

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

The outstanding undischarged net obligation is currently £2.1m.

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

	Liability £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 year	863	1,832	634	3,329
Within 2 to 5 years	3,656	7,086	2,915	13,657
Within 6 to 10 years	5,504	8,077	4,272	17,853
Within 11 to 15 years	6,512	6,977	5,274	18,763
Within 16 to 20 years	9,765	5,663	4,291	19,719
Within 21 to 25 years	2,097	822	1,475	4,394
<b>ESTIMATED TOTAL</b>	<b>28,397</b>	<b>30,457</b>	<b>18,861</b>	<b>77,715</b>



## Notes to the Accounts (cont'd)

### (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 12.

#### Movement in Value of Assets

	£'000
Valuation at 1 April 2013	60,532
Additions / Revaluations	(1,042)
Depreciation in Year	26
<b>NET BOOK VALUE AT 31 MARCH 2014</b>	<b>59,516</b>

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 remaining 17 years of the contract before inflation will be £116.62m and the total value of income from the Scottish Government will be £63.16m leaving a net outstanding undischarged obligation of £53.46m.

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.



## Notes to the Accounts (cont'd)

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

	Liability £'000	Interest £'000	Service Charges £'000	Total £'000
Within 1 year	1,698	4,439	2,336	8,473
Within 2 to 5 years	7,319	17,533	10,770	35,622
Within 6 to 10 years	11,478	20,963	16,244	48,685
Within 11 to 15 years	15,346	19,227	19,179	53,752
Within 16 to 20 years	10,917	8,974	9,077	28,968
<b>ESTIMATED TOTAL</b>	<b>46,758</b>	<b>71,136</b>	<b>57,606</b>	<b>175,500</b>

## 36. IMPAIRMENT LOSSES

**Impairment of Assets** Impairment losses/reversals of £28.357m 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 £'000
Property, Plant and Equipment	25,157	3,137	28,294
Investment Property	45	-	45
Intangibles	18	-	18
	<b>25,220</b>	<b>3,137</b>	<b>28,357</b>

### Impairment of Investments

#### Heritable Bank

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority deposited £1m with Heritable Bank on 12th December 2007 at 6.22%. The amount carried in the Balance Sheet in respect of this loan is currently £nil reflecting the assumption that there will be no future payments anticipated by the administrators. As at 31 March 2014 the Council has received 14 dividends totalling £988,238 which is equal to 94p in the £ and includes interest accrued up to 6 October 2008.

In recognition of the amount received in 2013/14 being greater than anticipated, an amount of £63k has been credited to the General Fund.



### 37. TERMINATION BENEFITS

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The Authority terminated the contracts of a number of employees in 2013/14 incurring liabilities of £1.9m (£1.3m in 2012/13). This was in respect of 56 officers (35 officers in 2012/13) from across the Council. The Remuneration Report at page 20 provides further details on exit packages.

### 38. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

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Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and Scottish Government uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme. As a proportion of the total contributions into the Teachers' Pension Scheme during the year ending 31 March 2013, the authorities own contributions equate to approximately 1.9%

In 2013/14 East Renfrewshire Council paid £6.7m to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.9% of pensionable pay. The figures for 2012/13 were £6.7m and 14.9%. A further £0.3m was paid (2012/13 £0.3m) in respect of added years.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 39.

### 39. DEFINED BENEFIT PENSION SCHEMES

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#### 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.



## Notes to the Accounts (cont'd)

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### Benefits

- It is a defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level to balance the pensions liability with investment assets
- The pensions accrual rate guarantees a pension based on 1/60<sup>th</sup> of final pensionable salary and years of pensionable service. (Prior to 2009, the accrual rate guaranteed a pension based on 1/80<sup>th</sup> and a lump sum based on 3/80<sup>th</sup> 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. The scheme's normal retirement age is 65. Pensions are increased annually in line with changes to the Pensions (Increases) Act 1971 and Section 59 of the Social Security Pensions Act 1975.

### Governance

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



## Notes to the Accounts (cont'd)

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:

	<b>Local Government Pension Scheme £000</b>	
	<b>2013/14</b>	<b>2012/13</b>
<b>Included in net cost of services within Comprehensive Income and Expenditure Statement</b>		
■ current service cost	12,565	9,537
■ past service costs (including curtailments)	1,197	249
■ contributions in respect of unfunded benefits	(1,196)	(1,150)
<i>Included Within Financing and Investment Income and Expenditure</i>		
■ net interest cost	4,755	3,613
<i>Total of LGPS Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i>	17,321	12,249
<i>Included within Other Comprehensive Income and Expenditure</i>		
■ expected return on scheme assets	(7,361)	(28,291)
■ actuarial (gains) and losses on changes in demographic assumptions	-	-
■ actuarial (gains) and losses arising on changes in financial assumptions	19,395	49,379
■ other	211	(127)
<i>Total of LGPS Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</i>	29,566	33,210
<b><i>Movement in Reserves Statement</i></b>		
■ Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme	9,934	9,556
■ Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services	(17,321)	(12,249)
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	(7,387)	(2,693)



## Notes to the Accounts (cont'd)

### 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 £000	
	2013/14	2012/13
Present value of the defined benefit obligation	(477,170)	(432,160)
Fair value of plan assets	353,181	327,803
<b>Net liability arising from defined benefit obligation</b>	<b>(123,989)</b>	<b>(104,357)</b>

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

	Local Government Pension Scheme £000	
	2013/14	2012/13
<b>Opening fair value of scheme assets</b>	<b>327,803</b>	<b>283,795</b>
Interest income	14,822	13,904
Remeasurement gain/(loss):		
▪ The return on plan assets, excluding the amount included in the net interest expenses	7,361	28,291
▪ Other (if applicable)	-	-
The effect of changes in foreign exchange rates	-	-
Contributions from employer	9,934	9,556
Contributions from employees into the scheme	3,159	3,101
Benefits paid	(9,898)	(10,844)
<b>Closing fair value of scheme assets</b>	<b>353,181</b>	<b>327,803</b>





## Notes to the Accounts (cont'd)

### Reconciliation of Present Value of the Scheme Liabilities

	Funded liabilities: Local Government Pension Scheme	
	£000	
	2013/14	2012/13
<b>Opening balance at 1 April</b>	<b>(432,160)</b>	<b>(364,498)</b>
Current service cost	(12,565)	(9,537)
Interest cost	(19,577)	(17,517)
Contributions from scheme participants	(3,159)	(3,101)
Remeasurement (gains) and losses		
▪ Actuarial gains/losses arising from changes in demographic assumptions	-	-
▪ Actuarial gains/losses arising from changes in financial assumptions	(19,395)	(49,379)
▪ Other	(211)	127
Past service cost	(1,197)	(249)
Benefits paid	11,094	11,994
<b>Closing balance at 31 March</b>	<b>(477,170)</b>	<b>(432,160)</b>



## Notes to the Accounts (cont'd)

### Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-14				31-Mar-13			
	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active Markets £(000s)	Total £(000s)	%	Quoted Prices in Active Markets £(000s)	Prices not quoted in Active Markets £(000s)	Total £(000s)	%
<b>Equity Securities:</b>								
Consumer	32,529	6	32,534	9	28,601	27	28,628	9
Manufacturing	28,335	245	28,581	8	26,246	51	26,297	8
Energy and Utilities	12,935	0	12,935	4	13,376	0	13,376	4
Financial Institutions	23,631	0	23,631	7	22,427	26	22,453	7
Health and Care	12,104	9	12,112	3	11,898	8	11,906	4
Information Technology	19,234	12	19,246	5	16,405	18	16,423	5
Other	0	0	0	0	0	0	0	0
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	0	0	0	0	0	0	0	0
Corporate Bonds (non-investment grade)	0	2	2	0	0	2	2	0
UK Government	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>Private Equity:</b>								
All	0	33,310	33,310	9	0	31,650	31,650	10
<b>Real Estate:</b>								
UK Property	0	24,742	24,742	7	0	21,027	21,027	6
Overseas Property	0	0	0	0	0	0	0	0
<b>Investment funds and unit trusts:</b>								
Equities	8,602	98,895	107,497	30	8,728	91,127	99,855	30
Bonds	0	40,985	40,985	12	0	44,157	44,157	13
Hedge Funds	0	0	0	0	0	0	0	0
Commodities	140	0	140	0	199	0	199	0
Infrastructure	0	501	501	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>Derivatives:</b>								
Inflation	0	0	0	0	0	0	0	0
Interest rate	0	0	0	0	0	0	0	0
Foreign exchange	0	0	0	0	0	0	0	0
Other	75	0	75	0	(57)	0	(57)	0
<b>Cash and cash equivalents</b>								
All	0	16,891	16,891	5	0	11,887	11,887	4
<b>Totals</b>	<b>137,584</b>	<b>215,597</b>	<b>353,181</b>	<b>100</b>	<b>127,822</b>	<b>199,981</b>	<b>327,803</b>	<b>100</b>

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 1 April 2011.

The principal assumptions used by the actuary have been:

	<b>Local Government Pension Scheme</b>	
	<b>2013/14</b>	<b>2012/13</b>
Investment returns	6.7% (estimate)	5.8%
Mortality assumptions:		
Longevity at 65 for current pensioners		
■ Men	21.0yrs	21.0yrs
■ Women	23.4yrs	23.4yrs
Longevity at 65 for future pensioners:		
■ Men	23.3yrs	23.3yrs
■ Women	25.3yrs	25.3yrs
Rate of increase in salaries	5.1%	5.1%
Rate of increase in pensions	2.8%	2.8%
Rate for discounting scheme liabilities	4.3%	4.5%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses 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 assumptions 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.

<b>Change in assumptions at 31 March 2014:</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount (£'000)</b>
0.5% decrease in Real Discount Rate	12%	59,484
1 year increase in member life expectancy	3%	14,116
0.5% increase in the Salary Increase Rate	5%	25,958
0.5% increase in the Pension Increase Rate	8%	38,918



## Notes to the Accounts (cont'd)

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### **Asset and Liability Matching (ALM) Strategy**

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

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

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for 2014-15. The next three years will be set following completion of the triennial valuation as at 31 March 2014.

The Fund will need to take account of impending 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 contributions expected to be made by Council to Strathclyde Pension Fund in the year to 31 March 2015 is £9.8 million.

### **Change in Accounting Policy IAS19R**

On 1 April 2013, the Council implemented a change of accounting policy relating to the June 2011 amendments to the accounting standard IAS19 Employee Benefits. The key change relates to the expected return on assets. In order to permit a meaningful comparison between financial years, some figures in the previous year's audited financial statements have been amended.

There has been a redistribution of costs within the CIES. The pensions interest cost within the Surplus or Deficit on the Provision of Services has increased with a corresponding reduction in actuarial (gains) or losses on pension assets and liabilities in Other Comprehensive Income and Expenditure. Essentially, the expected return on scheme assets that was credited to the Surplus or Deficit on the Provision of Services has been effectively replaced with an equivalent figure using the discount rate.



## Notes to the Accounts (cont'd)

The effects of the restatement on the financial statements are as follows (only those line that have changed are shown):

### Effect on Comprehensive Income and Expenditure Statement

	<b>As Previously Stated 2012-2013</b>	<b>As Restated 2012-2013</b>	<b>Amendment 2012-2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Financing and Investment Income and Expenditure	11,883	14,489	2,606
(Surplus) or Deficit on the Provision of Services	(10,559)	(7,953)	2,606
Actuarial (gains) or losses on pension fund assets and liabilities	23,567	20,961	(2,606)
Other Comprehensive Income and Expenditure	(7,466)	(10,072)	(2,606)

### Movement in Reserves Statement – Usable Reserves 2012-2013

	<b>As Previously Stated 2012-2013</b>	<b>As Restated 2012-2013</b>	<b>Amendment 2012-2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
(Surplus) or Deficit on the Provision of Services	(10,559)	(7,953)	2,606
Total Comprehensive Income and Expenditure	(10,559)	(7,953)	2,606
Adjustments between Accounting basis and Funding Basis under Regulations	6,773	4,167	(2,606)

### Movement in Reserves Statement – Unusable Reserves 2012-2013

	<b>As Previously Stated 2012-2013</b>	<b>As Restated 2012-2013</b>	<b>Amendment 2012-2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Other Comprehensive Income and Expenditure	(7,466)	(10,072)	(2,606)
Total Comprehensive Income and Expenditure	(7,466)	(10,072)	(2,606)
Adjustments between Accounting basis and Funding Basis under Regulations	(6,773)	(4,167)	2,606



### 40. CONTINGENT LIABILITIES

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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 possible future redundancies.

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

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

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

#### **Overall Procedures for Managing Risk**

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework in the *Local Government Act 2003/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/constitution;
- 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.



## Notes to the Accounts (cont'd)

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 and the prudential indicators were approved by Council on 7 February 2013 and are available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2013/14 was set at £202.61m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £187.65m. This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown below.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### Credit Risk

Credit risk arises from the deposits with banks and financial institutions.

This risk is minimised through the annual Treasury Management Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Treasury Management Strategy also imposes a maximum sum to be invested and the time limits in respect of each financial institution.

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	
		<u>Fitch</u>	<u>Moody's</u>
Deposits with Bank and Money Market Funds	Short Term: Long Term: Viability: Support:	F1 A BBB- 3	P-1 A3 N/A C-
			£1 - 10m for each individual bank. £15m total for money market funds with maximum of £5m per fund



## Notes to the Accounts (cont'd)

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 2014 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 2014 %	Estimated maximum exposure to default and uncollectability at 31 March 2014 £000	Estimated maximum exposure at 31 March 2013 £000
Deposits with Banks	10,000	0.00	0.00	-	4
Deposits with Money Market Funds	13,775	0.00	0.00	-	-
Deposits with Local Authorities	4,000	0.00	0.00	-	-
Customers – sundry debtors	3,743	8.00	8.00	299	311
Home loans	10	0.00	0.00	-	-
	31,528			299	315

The Council does not generally allow credit for customers, such that as at 31 March 2014 £2.027m of the £3.743m (£1.272m of £3.884m as at 31 March 2013) sundry income debtors balance is past its due date for payment. The past due amount can be analysed by ages as follows:

	31 March 2014 £'000	31 March 2013 £'000
Less than 3 months and past due date	1,080	288
Three to six months	141	65
Six months to one year	115	162
More than one year	691	757
	<b>2,027</b>	<b>1,272</b>

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.





## Notes to the Accounts (cont'd)

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 2014	31 March 2013
	£000	£000
Less than one year	2,949	8,895
Between one and two years	7,468	2,949
Between two and five years	3,811	9,540
More than five years	57,502	59,241
	<b>71,730</b>	<b>80,625</b>

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

### Market Risk

#### Interest Rate Risk

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

- borrowings at variable rates - the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates - the fair value of the 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,



## Notes to the Accounts (cont'd)

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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	152
Increase in interest receivable on variable rate investments	(138)
Increase in government grant receivable for financing costs	(682)
Impact on Surplus or Deficit on the Provision of Services	(668)
Share of overall impact debited to the HRA	(166)
Decrease in fair value of fixed rate investment assets	140
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)	698

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

### Price Risk

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

### Foreign Exchange Risk

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

## 42. HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

There has been no acquisition, donation, disposal or impairment of Heritage Assets in the five year period covering the financial years 2009/10 to 2013/14



## Housing Revenue Account Comprehensive Income and Expenditure Statement

	HRA Notes	2013/14 £'000	2012/13 £'000
<b>Income</b>			
Dwelling Rents		(9,099)	(8,607)
Non-dwelling Rents		(84)	(129)
Housing Support Grant		-	-
Charges for Welfare Services		-	-
Hostels		-	-
Other Income		(739)	(604)
Sums Directed by the Scottish Government Minister that are income in accordance with IFRS		-	-
<b>Total Income</b>		<b>(9,922)</b>	<b>(9,340)</b>
<b>Expenditure</b>			
Repairs and Maintenance		4,362	3,624
Supervision and Management		2,531	2,538
Depreciation and Impairment on Non-Current Assets		5,023	5,021
Movements in the Impairment of Debtors	4	51	-
Other expenditure		74	109
Sums directed by the Scottish Government Minister that are expenditure in accordance with IFRS		-	-
<b>Total Expenditure</b>		<b>12,041</b>	<b>11,292</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>2,119</b>	<b>1,952</b>
HRA Services' Share of Corporate and Democratic Core		38	37
HRA Share of Other Amounts included in the Whole Authority Net Cost of Services (but not Allocated to Specific Services)		(10)	-
<b>Net Cost for HRA Services</b>		<b>2,147</b>	<b>1,989</b>
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		-	364
Interest Payable and Similar Charges		1,322	1,287
Interest and Investment Income		(27)	(30)
Impairment		(13)	86
Pension Interest Cost and Expected Return on Pension Assets		214	46
Rental Income - operating lease over Property, Plant and Equipment		(169)	(186)
Capital Grants and Contributions Receivable		-	(310)
<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>3,474</b>	<b>3,246</b>



# Notes to the Housing Revenue Account

## Movement on the Housing Revenue Account Statement

	HRA Notes	2013/14 £'000	2012/13 £'000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		3,474	3,246
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(2,982)	(3,208)
Net (Increase) or Decrease Before Transfers to or from Reserves		<b>492</b>	38
Transfers to or (from) Reserves		(77)	50
(Increase) or Decrease in Year on the HRA		<b>415</b>	88
Balance on the HRA at the end of the Previous Year		<b>(922)</b>	(1,010)
<b>Balance on the HRA at the end of the Current Year</b>		<b>(507)</b>	<b>(922)</b>

## Housing Revenue Account Disclosures

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

	2013/14 £'000	2012/13 £'000
Gain or loss on sale of HRA non-current assets	-	(364)
Capital expenditure funded by the HRA	217	160
Transfer to/from the Capital Adjustment Account:		
Depreciation and Impairment	(5,010)	(5,107)
Capital Grants and Contributions	-	310
Repayment of Debt	2,089	1,808
HRA share of contributions to or from the Pensions Reserve	(279)	7
Transfer to/from the Statutory Compensated Absences Account	1	(22)
Difference between any other item of income and expenditure determined in accordance with the Code and determined in accordance with statutory HRA requirements	-	-
	<b>(2,982)</b>	<b>(3,208)</b>

### 2. Housing Stock

Council's housing stock at 31 March 2014 was 3,011 (3,027 at March 2013) in the following categories:

	2013/14 Number	2012/13 Number
1 Apartment	175	175
2 Apartment	897	897
3 Apartment	1,316	1,326
4 Apartment	535	540
5 Apartment	83	84
6 Apartment	5	5
<b>Total</b>	<b>3,011</b>	<b>3,027</b>



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

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### 3. Rent Arrears

At the year end rent arrears amounted to £996,140 (2012/13 - £921,005) of which the current rent arrears were £402,931 (2012/13 - £388,162) representing 4.3% (2012/13 4.3%) of gross rent due and former tenant arrears amounted to £590,553 (2012/13 - £531,357). In addition, the figure contains £2,656 (2012/13 - £1,486) in respect of outstanding Housing Benefit Overpayments.

### 4. Impairment of Debtors

In the financial year 2013/14, the bad debt provision for the Housing Revenue Account was increased by £51,461, resulting in a bad debt provision balance of £827,044 (2012/13 £775,583).

### 5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £211,313 (2012/13 £234,692).



## 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.

	2013/14 £000s	2012/13 £000s
Gross rates levied and contributions in lieu	17,953	17,739
Less:		
Reliefs and other deductions	(4,229)	(4,015)
Payments of interest	-	(1)
Write-offs of uncollectable debts & allowance for impairment	(326)	(455)
<b>Net Non Domestic Rate Income collected</b>	<b>13,398</b>	<b>13,268</b>
Collection adjustment to meet Provisional Contribution Amount	853	932
<b>Contribution to Non-Domestic Rate pool</b>	<b>14,251</b>	<b>14,200</b>
Distribution from Non-Domestic Rate pool	13,924	12,941
Adjustments for years prior to the pool	36	-
<b>Income credited to the Comprehensive Income and Expenditure Statement (per Note 11)</b>	<b>13,960</b>	<b>12,941</b>

### 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 2013/14 was £0.462 (2012/13 £0.45)

	Number	Rateable Value as at 1 April 2013 £
Shops	581	14,998,300
Offices	321	4,026,900
Hotels, Boarding Houses etc	7	463,080
Industrial and Freight Transport Subjects	160	1,717,030
Miscellaneous Subjects	380	14,582,733
Others	240	3,295,515
<b>Total</b>	<b>1,689</b>	<b>39,083,558</b>

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.

	<b>2013/14</b>	<b>2012/13</b>
	<b>£000</b>	<b>£000</b>
Gross Council Tax levied and contributions in lieu	50,368	50,044
Adjustments for prior years Council Tax	(10)	(69)
Adjusted for:		
Council Tax Reduction Scheme	(21)	-
Council Tax Benefits (Net of Government Grants)	63	78
Other discounts and reductions	(5,211)	(5,113)
Uncollectable debt and allowance for impairment	(420)	(423)
Community Charge recovered	4	8
<b>Net Council Tax Income included in the Comprehensive Income and Expenditure Account per Note 11</b>	<b>44,773</b>	<b>44,525</b>

### 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 2013/14 was £1,126.00 (unchanged from 2012/13).

A discount of 25% on the council tax is made where there are fewer than two residents in a property. Discounts of 50% are made for unoccupied property for a period of up to six months. 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.



## Council Tax (cont'd)

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.

### Calculation of the Council Tax Base 2013/14\*

	No of Dwellings	No of Exemptions	Disabled Relief	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents	
BAND A	1,370	(176)	19	(195)	(15)	1,003	6/9	669	
BAND B	5,210	(223)	2	(624)	(12)	4,353	7/9	3,386	
BAND C	4,006	(115)	6	(414)	(25)	3,458	8/9	3,074	
BAND D	6,360	(130)	41	(590)	(31)	5,650	9/9	5,650	
BAND E	7,997	(109)	(18)	(525)	(19)	7,326	11/9	8,954	
BAND F	5,922	(54)	(1)	(304)	(14)	5,549	13/9	8,016	
BAND G	5,891	(54)	(42)	(246)	(17)	5,532	15/9	9,221	
BAND H	692	(4)	(7)	(18)	(3)	660	18/9	1,321	
						<b>Total</b>		<b>40,291</b>	
								Provision for non-collection (2%)	806
								<b>Council Tax Base</b>	<b>39,485</b>

\* Source: A questionnaire requested by the Scottish Government entitled Council Tax Base 2012

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 2013/14 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





The earliest legislation which reflects the existence of the Common Good can be traced back to the Common Good Act 1491. The term common good is used to denote all property of the former Burghs not acquired under statutory powers or held under special trusts and was reserved for purposes which promoted the general good of the inhabitants or dignity of the Burgh. The Council administers these funds but they are not council assets and have not been included in the council's balance sheet.

### Movement in Reserves statement for the year ending 31 March 2014.

	2013/14 Unusable Reserve: £000	2012/13 Unusable Reserve: £000
<b>Balance at 31 March 2013</b>	<b>(1,030)</b>	<b>(1,143)</b>
Deficit on the provision of services	116	126
Other comprehensive income and expenditure	(41)	(13)
<b>Balance at 31 March 2014</b>	<b>(955)</b>	<b>(1,030)</b>

### Comprehensive Income and Expenditure Statement for the year ending 31 March 2014

	Expenditure £000	2013/14 Income £000	Net £000	Expenditure £000	2012/13 Income £000	Net £000
Net costs of services	116	-	116	126	-	126
<b>(Surplus) or deficit</b>			<b>116</b>			<b>126</b>
(surplus)/ deficit on revaluation of fixed assets			(41)			(13)
<b>Total Comprehensive Income and Expenditure</b>			<b>75</b>			<b>113</b>

### Balance Sheet

	2013/14 £000	2012/13 £000
Property, Plant and Equipment	955	1,030
<b>Net Assets</b>	<b>955</b>	<b>1,030</b>
Unusable Reserve: Revaluation Reserve and Capital Adjustment Account	955	1,030
<b>Net Reserves</b>	<b>955</b>	<b>1,030</b>



## Common Good Fund (cont'd)

### Movement on Balances (Common Good)

	Total Property, Plant and Equipment 2013/14 £000	Total Property, Plant and Equipment 2012/13 £000
Cost or Valuation at 1 April	1,066	1,182
Additions	6	67
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	41	13
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(89)	(157)
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	(36)	(39)
<b>As at 31 March</b>	<b>988</b>	<b>1,066</b>
Accumulated Depreciation and Impairment at 1 April	(36)	(39)
Depreciation charge	(33)	(36)
Depreciation written out on revaluation and disposal	36	39
Derecognition – other (transfers)	-	-
<b>As at 31 March</b>	<b>(33)</b>	<b>(36)</b>
<b>Net Book Value at 31 March 2014</b>	<b>955</b>	
<b>Net Book Value at 31 March 2013</b>	<b>1,030</b>	<b>1,030</b>
<b>Net Book Value at 31 March 2012</b>		<b>1,143</b>



## Common Good Fund (cont'd)

### Changes during 2013/14

The Council recognised the establishment of a Common Good Fund, relating to Cowan Park, Barrhead, during the current financial year. As Common Good Funds do not form part of the Council's single entity accounts, the following changes have been made to the 2012/13 comparison figures.

### Effects on the Comprehensive Income and Expenditure Statement

	As previously stated 2012/13 £000	As restated 2012/13 £000	Amendment 2012/13 £000
Culture and Related Services	14,180	14,054	(126)
(Surplus) or deficit on the Provision of Services	(10,559)	(10,685)	(126)
(Surplus) or deficit on revaluation of Property, Plant and Equipment	(36,952)	(36,939)	13
Other Comprehensive Income and Expenditure	(7,466)	(7,453)	13
Total Comprehensive Income and Expenditure	(18,025)	(18,138)	(113)

### Movement in Reserves Statement - usable resources

	As previously stated 2012/13 £000	As restated 2012/13 £000	Amendment 2012/13 £000
(Surplus) or deficit on the provision of services	(10,559)	(10,685)	(126)
Total Comprehensive Income and Expenditure	(10,559)	(10,685)	(126)
Adjustments between accounting basis and funding basis under regulations	6,773	6,899	126

### Movement in Reserves Statement – unusable resources

	As previously stated 2012/13 £000	As restated 2012/13 £000	Amendment 2012/13 £000
Other Comprehensive Income and Expenditure	(7,466)	(7,453)	13
Total Comprehensive Income and Expenditure	(7,466)	(7,453)	13
Adjustments between accounting basis and funding basis under regulations	(6,773)	(6,899)	(126)

### Balance Sheet

	As previously stated 2012/13 £000	As restated 2012/13 £000	Amendment 2012/13 £000
Property, Plant and Equipment	505,613	504,583	(1,030)
Unusable reserves	(207,475)	(206,445)	(1,030)



## Group Movement in Reserve Statement

	Unallocated General Fund £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Associates £000	Total Authority Reserves £000
<b>Balance at 31 March 2013 carried forward (Restated)</b>	<b>(8,519)</b>	<b>(5,014)</b>	<b>(11,090)</b>	<b>(1,290)</b>	<b>(922)</b>	<b>(22,233)</b>	<b>(49,068)</b>	<b>(206,445)</b>	<b>144,647</b>	<b>(110,866)</b>
<b>Transfer of Police and Fire to Central Government</b>	-	-	-	-	-	-	-	-	(152,496)	(152,496)
<b>Revised Balance at 1 April 2013</b>	<b>(8,519)</b>	<b>(5,014)</b>	<b>(11,090)</b>	<b>(1,290)</b>	<b>(922)</b>	<b>(22,233)</b>	<b>(49,068)</b>	<b>(206,445)</b>	<b>(7,849)</b>	<b>(263,362)</b>
Movement in reserves during 2013/14										
(Surplus) or deficit on the provision of services	10,092	-	-	-	3,474	-	13,566	-	135	13,701
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	14,533	105	14,638
<b>Total Comprehensive Income and Expenditure</b>	<b>10,092</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,474</b>	<b>-</b>	<b>13,566</b>	<b>14,533</b>	<b>240</b>	<b>28,339</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	(14,484)	-	-	-	(2,982)	-	(17,466)	17,466	-	-
<b>Net (Increase)/Decrease before Transfers (to)/from other statutory reserves</b>	<b>(4,392)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>492</b>	<b>-</b>	<b>(3,900)</b>	<b>31,999</b>	<b>240</b>	<b>28,339</b>
Transfers to/(from) other statutory reserves	4,403	(1,396)	1,674	(424)	(77)	(4,180)	-	-	-	-
<b>(Increase)/Decrease in 2013/14 (Note 8)</b>	<b>11</b>	<b>(1,396)</b>	<b>1,674</b>	<b>(424)</b>	<b>415</b>	<b>(4,180)</b>	<b>(3,900)</b>	<b>31,999</b>	<b>240</b>	<b>28,339</b>
<b>Balance at 31 March 2014 carried forward</b>	<b>(8,508)</b>	<b>(6,410)</b>	<b>(9,416)</b>	<b>(1,714)</b>	<b>(507)</b>	<b>(26,413)</b>	<b>(52,968)</b>	<b>(174,446)</b>	<b>(7,609)</b>	<b>(235,023)</b>



## Group Movement in Reserve Statement (cont'd)

	Unallocated General Fund £000	Earmarked General Fund Balance £000	Repairs & Renewals Fund £000	Insurance Fund £000	Housing Revenue Account £000	Capital Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Share of Reserves of Associates £000	Total Authority Reserves £000
<b>Balance at 31 March 2012 carried forward (Restated)</b>	(9,047)	(4,763)	(8,412)	(1,180)	(1,010)	(20,870)	<b>(45,282)</b>	(192,093)	117,922	<b>(119,453)</b>
<b>Movement in reserves during 2012/13</b>										
(Surplus) or deficit on the provision of services	(11,325)	-	-	-	3,246	-	<b>(8,079)</b>	-	25,421	<b>17,342</b>
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	(10,059)	1,304	<b>(8,755)</b>
<b>Total Comprehensive Income and Expenditure</b>	(11,325)	-	-	-	3,246	-	<b>(8,079)</b>	(10,059)	26,725	<b>8,587</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	2,551	-	-	-	(3,208)	4,950	<b>4,293</b>	(4,293)	-	-
<b>Net (Increase)/Decrease before Transfers to/(from) other statutory reserves</b>	(8,774)	-	-	-	38	4,950	<b>(3,786)</b>	(14,352)	26,725	<b>8,587</b>
Transfers to/(from) other statutory reserves	9,302	(251)	(2,678)	(110)	50	(6,313)	-	-	-	-
<b>(Increase)/Decrease in 2012/13 (Note 8)</b>	528	(251)	(2,678)	(110)	88	(1,363)	<b>(3,786)</b>	(14,352)	26,725	<b>8,587</b>
<b>Balance at 31 March 2013 carried forward (Restated)</b>	<b>(8,519)</b>	<b>(5,014)</b>	<b>(11,090)</b>	<b>(1,290)</b>	<b>(922)</b>	<b>(22,233)</b>	<b>(49,068)</b>	<b>(206,445)</b>	<b>144,647</b>	<b>(110,866)</b>



## Group Comprehensive Income and Expenditure Statement

Year ended 31 March 2013			Year ended 31 March 2014			
Gross Expenditure	Gross Income	Net Expenditure (Restated)		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
126,846	(13,178)	113,668	Education Services	143,662	(13,584)	130,078
18,207	(16,579)	1,628	Housing Services	19,010	(16,973)	2,037
19,116	(4,936)	14,180	Cultural & Related Services	18,611	(5,516)	13,095
12,511	(3,992)	8,519	Environmental Services	12,452	(3,775)	8,677
5,112	-	5,112	Fire Service	-	-	-
14,687	(1,903)	12,784	Roads & Transport Services	14,211	(1,883)	12,328
10,203	-	10,203	Police Service	-	-	-
4,787	(1,354)	3,433	Planning & Development	4,387	(1,549)	2,838
57,221	(11,622)	45,599	Social Work	60,573	(13,041)	47,532
5,532	(488)	5,044	Central Services to the Public	6,354	(312)	6,042
-	(508)	(508)	Share of operating results of associates	21	-	21
2,657	-	2,657	Corporate & Democratic Core	2,810	-	2,810
1,051	-	1,051	Non Distributable Costs	1,900	(2,313)	(413)
-	-	-	Share of associates (profit)/loss on disposal of Fixed Assets	-	-	-
<b>277,930</b>	<b>(54,560)</b>	<b>223,370</b>	<b>NET COST OF GENERAL SERVICE</b>	<b>283,991</b>	<b>(58,946)</b>	<b>225,045</b>
11,292	(9,340)	1,952	Housing Revenue Account	12,041	(9,922)	2,119
<b>289,222</b>	<b>(63,900)</b>	<b>225,322</b>	<b>COST OF SERVICES</b>	<b>296,032</b>	<b>(68,868)</b>	<b>227,164</b>
		109	Other operating expenditure			(2,922)
		32,457	Financing and investment income and expenditure			11,335
		(240,546)	Taxation and Non-Specific Grant Income			(221,876)
		<b>17,342</b>	<b>(Surplus) or Deficit on Provision of Services (note 1 Group)</b>			<b>13,701</b>
		(31,020)	(Surplus) or deficit on revaluation of fixed assets			2,247
		20,961	Actuarial (gains)/losses on pension assets/liabilities			12,245
		1,304	Share of other comprehensive expenditure and income of associates			(152,350)
		<b>(8,755)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(137,858)</b>
		<b>8,587</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(124,157)</b>



## Group Balance Sheet

31 March 2012 £000	31 March 2013 £000		31 March 2014 £000
471,874	505,613	Property, Plant & Equipment	486,423
262	262	Heritage Assets	262
16,699	16,443	Investment Property	17,319
197	166	Intangible Assets	112
6,620	6,868	Long-term Investments and/or Investments in Associates	6,802
105	10,011	Investments	10
<b>495,757</b>	<b>539,363</b>	<b>Long Term Assets</b>	<b>510,928</b>
86	1,138	Assets Held for Sale	46
551	420	Inventories	499
14,282	15,908	Short Term Debtors	15,255
-	-	Short Term Investments	10,000
22,168	15,120	Cash and Cash Equivalents	17,744
365	362	Investments – Trust Funds	359
<b>37,452</b>	<b>32,948</b>	<b>Current Assets</b>	<b>43,903</b>
(49)	(8,895)	Short Term Borrowing	(2,949)
(2,790)	(2,896)	Finance Lease (Includes PPP/PFI)	(3,227)
(33,962)	(34,081)	Short Term Creditors	(35,994)
(70)	(147)	Provisions	(29)
<b>(36,871)</b>	<b>(46,019)</b>	<b>Current Liabilities</b>	<b>(42,199)</b>
(1,356)	(1,357)	Provisions	(1,311)
(80,625)	(71,730)	Long Term Borrowing	(68,781)
(126,050)	(152,907)	Liabilities in associates and joint ventures	(507)
(87,877)	(84,982)	PFI/PPP Finance lease	(81,665)
(80,703)	(104,357)	Defined Benefit Pension Liability	(123,989)
(274)	(93)	Capital Grants Receipts in Advance	(1,356)
<b>(376,885)</b>	<b>(415,426)</b>	<b>Long Term Liabilities</b>	<b>(277,609)</b>
<b>119,453</b>	<b>110,866</b>	<b>Net Assets</b>	<b>235,023</b>
(48,684)	(51,182)	Usable Reserves	(55,324)
(70,769)	(59,684)	Unusable Reserves	(179,699)
<b>(119,453)</b>	<b>(110,866)</b>	<b>Total Reserves</b>	<b>(235,023)</b>

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

The unaudited accounts were issued on 25 June 2014  
The audited accounts were authorised for issue on 25<sup>th</sup> September 2014



## Group Cash Flow Statement

2012/13 (Restated) £'000		2013/14 £'000
17,342	Net (surplus) or deficit on the provision of services	13,701
(37,961)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(35,382)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(20,619)	Net cash flows from Operating Activities	(21,681)
14,944	Investing Activities (Note 25)	7,176
12,723	Financing Activities (Note 26)	11,881
7,048	Net (increase) or decrease in cash and cash equivalents	(2,624)
(22,168)	Cash and cash equivalents at the beginning of the reporting period	(15,120)
<b>(15,120)</b>	<b>Cash and cash equivalents at the end of the reporting period (Note 20)</b>	<b>(17,744)</b>





## 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.	
	2013/14 £000	2012/13 £000
(Surplus)/Deficit on East Renfrewshire Council's provision of services	13,566	(8,079)
Net expenditure/(income) on Trust Funds in year	3	3
Common Good – Cowan Park	116	126
(Surplus)/Deficit in year arising from associates included in the Group Accounts:		
Strathclyde Police Joint Board	-	19,610
Strathclyde Fire Joint Board	-	5,816
Strathclyde Partnership for Transport	(10)	(257)
Strathclyde Concessionary Travel Scheme Joint Committee	(10)	9
Renfrewshire Valuation Board	36	114
<b>GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>	<b>13,701</b>	<b>17,342</b>

### 2. COMBINING ENTITIES

The Common Good Fund has been consolidated into the Group Statements as a 100% fully controlled subsidiary of the council.

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 associates. The Council has no interests in joint ventures.



### **Strathclyde Partnership for Transport**

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

The Council contributed £1.6m or 4.27% to the Authority's running costs during 2013/14 and accounted for £6.734m (2012/13 £6.8m) 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 2013/14 the Council contributed £0.178m or 4.17% to the annual running costs and accounted for £0.068m (2012/13 £0.058m) 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 £0.46m or 20.3% to the organisation's revenue costs and its share of the year-end net liability of £0.51m (2012/13 £0.41m) is included in the Group Balance Sheet.



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

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### 3. FINANCIAL IMPACT OF CONSOLIDATION

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The effect of inclusion of the associate entities and the trust fund balances on the Group Balance Sheet is to increase both Reserves and net assets by £7.609m, representing the Council's net share of the net liabilities in these entities. These liabilities are largely due to the balances carried by the Associates in respect of pensions.

### 4. ACCOUNTING POLICIES

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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. POLICE AND FIRE REFORM

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In September 2011, following formal consultations on the future of the Scottish Police and Fire Services, the Scottish Government confirmed that the then eight Police Forces and the eight Fire Brigade structures would be replaced with a single police service for Scotland and a single Fire and Rescue service.

Both the single Police Service and single Fire and Rescue Service came into force on 1 April 2013. They are both funded directly by the Scottish Government from the Justice portfolio and therefore no contributions are made by local authorities. As a consequence from the date of commencement they no longer form part of East Renfrewshire's Group Accounts.



## Notes to 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.

Revenue Transactions		Expenditure	Income	Balance	Balance
		£	£	31.3.14	31.3.13
Charity Number				£	£
SCO05976	Duff Memorial Fund	-	70	7,037	6,967
SCO16641	Newton Mearns Benevolent Fund	98	86	5,599	5,611
SCO19475	Janet Hamilton Fund	183	333	15,595	15,445
SCO19474	John Pattison Memorial	197	70	1,848	1,975
SCO19473	Hugh & Janet Martin Fund	249	118	3,918	4,049
SCO37293	Netherlee School 1937	-	195	7,720	7,525
SCO37925	Talented Children & Young People	724	724	-	-
<b>CHARITABLE REVENUE BALANCES</b>		<b>1,451</b>	<b>1,596</b>	<b>41,717</b>	<b>41,572</b>
	Thornliebank War Memorial Fund	-	4	592	588
	Anderson Bequest	-	113	297	184
	Cathcart Cemetery Fund	-	88	5,948	5,860
	Crum Memorial	-	7	30	23
	McNiven Prize	-	11	866	855
	Rev Denis Reen	-	12	80	68
	James Cowan Bequest	-	27	159	132
	Cowan Park Cropping Fund	-	2	11	9
	Annie Tyson Trust fund	350	1,220	47,135	46,265
	Rita Donnelly Memorial Prize	2,000	2,000	20	20
<b>OTHER TRUST FUND REVENUE BALANCES</b>		<b>2,350</b>	<b>3,484</b>	<b>55,138</b>	<b>54,004</b>

			Capital Value of Fund	
			31.3.14	31.3.13
			£	£
<b>The Principal Funds</b>	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 Fund	- assisting the deserving poor in Barrhead	9,657	9,657
	Hugh & Janet Martin Memorial Fund	- for charitable & Education purposes	15,574	15,574
	Netherlee School 1937	- to advance the education of the pupils of Netherlee Primary School (both Current and former)	25,000	25,000
	Talented Children & Young People	- for talented children and young people in the fields of arts and culture	555	4,095*
	Other - Charitable		1,500	1,500
	<b>CHARITABLE TOTAL RESERVES</b>			<b>97,063</b>
Annie Tyson Trust Fund	- assisting with special needs training	157,306	157,306	
Other Trust Funds		8,219	8,219	
<b>OTHER TRUST FUND TOTAL RESERVES</b>			<b>165,525</b>	<b>165,525</b>

\* £3,540 of capital monies were applied during 2013/14, this is in accordance with the Trust Deed.



## Notes to Group Accounts (cont'd)

		2013/14 £	2012/13 £
<b>Balance Sheet - Charitable</b>	Fund balances	138,780	142,175
	Creditors	-	-
<b>TOTAL LIABILITIES</b>		<b>138,780</b>	<b>142,175</b>
Investments		1,500	1,500
Debtors		-	-
Due by Loans Fund		137,280	140,675
<b>TOTAL ASSETS</b>		<b>138,780</b>	<b>142,175</b>
		<b>2013/14 £</b>	<b>2012/13 £</b>
<b>Balance Sheet - Other Trust Funds</b>	Fund balances	220,663	219,529
	Creditors	-	-
<b>TOTAL LIABILITIES</b>		<b>220,663</b>	<b>219,529</b>
Investments		3,458	3,458
Debtors		-	-
Due by Loans Fund		217,205	216,071
<b>TOTAL ASSETS</b>		<b>220,663</b>	<b>219,529</b>



### 7. NON MATERIAL INTEREST IN JOINT COMMITTEES

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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 £64,871 (2012/13, £65,993) representing 2.00% (2012/13, 2.04%) of the organisation's estimated running costs for the year to 31 March 2014.
- 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 (2012/13, £72,438) representing 12.5% (2012/13, 12.5%) of the Committee's estimated running costs for the year to 31 March 2014.
- **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 educational guidance services. During the year, the Council made a contribution of £16,400 (2012/13, £16,400) representing 4.02% (2012/13 4.02%) of the consortium's estimated running costs for the year to 31 March 2014.
- 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 (2012/13, £7,619) representing 5.75% (2012/13 5.4%) of the Committee's estimated running costs for the year to 31 March 2014.
- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSSEC). During the year, due to a contribution holiday, the Council made no payments (2012/13, £1,920). The percentage allocation remains at 3.8% of the Forum's estimated running costs for the year to 31 March 2014.



## Notes to Group Accounts (cont'd)

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- 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 and East Renfrewshire. The committee consists of representatives from East Renfrewshire and Glasgow City Councils along with other co-opted non-voting representatives. During the year the Council made a revenue contribution of £32,824 (2012/13 £36,916) representing 31.59% (2012/13 33.7%) of the Joint Committee's running costs for the year to 31 March 2014.



## Glossary of Terms

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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, support services 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 service activity.

**4. Non Distributable Costs**

Non Distributable Costs represent costs which cannot be allocated to specific services and again, under the Service Reporting Code of Practice for Local Authorities, are excluded from the Total Cost relating to service activity.

Examples of Non Distributable Costs are: -

- (a) charges for added years and early retirement
- (b) costs associated with unused shares of IT facilities
- (c) costs of shares of other long term unused but unrealisable assets

**5. Capital Charges**

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

**6. 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.

**7. Specific Government Grant**

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

**8. 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.

**9. 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.

**10. 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.





## Glossary of Terms (cont'd)

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- 11. 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.
- 12. Financial Instruments Adjustment Account**  
This account is a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and lending. This account cannot be used to support spending.
- 13. Government Grants Deferred**  
The balance on this account represents the value of capital grants which have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset taking into account depreciation.
- 14. 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.
- 15. 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.
- 16. International Financial Reporting Standards (IFRS)**  
The basis on which Local Authority accounts are currently prepared.
- 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. 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.
- 19. 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 to the members of East Renfrewshire Council and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of East Renfrewshire Council and its group for the year ended 31 March 2014 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the group and authority-only Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash-Flow Statement, the authority only Housing Revenue Account Comprehensive Income and Expenditure Statement, National Non Domestic Rates Account, Council Tax Income Account and the related notes. 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 2013/14 (the 2013/14 Code). 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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Head of Accountancy and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Head of Accountancy as Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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 group's and the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Accountancy as Chief Financial Officer; and the overall presentation of the financial statements. In addition, I 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.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2013/14 Code of the state of the affairs of the group and of the body as at 31 March 2014 and of the income and expenditure of the group and the body 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 2013/14 Code
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.



## Independent Auditor's Report

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### Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 1985
- the information given in the Explanatory Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records
- I have not received all the information and explanations I require for my audit
- the Annual Governance Statement 2013/14 does not comply with Delivering Good Governance in Local Government
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth ACMA CGMA  
Assistant Director  
Audit Scotland  
4th Floor, South Suite  
The Athenaeum Building  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

September 2014



## **East Renfrewshire Council**

### Annual report on the 2013/14 audit

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

October 2014



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## Key messages

### Financial statements

- Unqualified auditor's report on the 2013/14 financial statements.

### Financial position

- A General Fund surplus of £4.4 million in 2013/14
- An accounting deficit of £14 million for the year.
- Usable reserves are relatively strong and have increased by £4 million
- Stable current financial position and actions are being taken to address future financial pressures.

### Governance & accountability

- Governance arrangements are operating satisfactorily and appropriate systems of internal control in place during 2013/14 with no weaknesses in key controls
- Planning to increase awareness of its registers of interests

### Best Value, use of resources & performance

- Met or exceeded 81% of its performance targets and on track to meet targets in the majority of the remaining areas.
- Well-established framework for monitoring and reporting performance.

### Outlook

- Changes to the accounting framework and approval processes that need to be planned for in 2014/15.

### Financial Statements

1. We have given an unqualified audit opinion that the financial statements of East Renfrewshire Council for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March 2014 and of the income and expenditure for the year then ended.
2. We have also given an unqualified audit opinion on the 2013/14 financial statements of East Renfrewshire Council's charities audited under the provisions of The Charities Accounts (Scotland) Regulations 2006 (the 2006 Regulations).

### Financial position

3. The council recorded an accounting deficit of £13.6 million on the provision of services. After adjustments according to statutory regulations the surplus on the general fund was £4.4 million and there was a deficit on the HRA of £0.5 million.
4. The council has a relatively high level of usable reserves and low levels of external borrowing which suggests a relatively good financial position which would help with any future funding shortfalls.
5. The general fund increased by £1.4 million during the year to £14.9 million. This includes earmarked commitments of £6.4 million and an unallocated balance of £8.5 million, or 4%. This is in line with the council's policy of holding unallocated reserves of 4% of annual budgeted net revenue expenditure.

6. The council's 2014/15 financial plan requires identified cost savings of £4.3 million. The council aims to deliver these savings through its continued service reform programme.

### Governance and accountability

7. In 2013/14 the council had good governance arrangements which included a number of standing committees overseeing key aspects of governance. The council has an effective internal audit function and systems of internal control.
8. The new integrated health and social care partnership will come into force in April 2015. A joint approach is in place and an agreed transition/organisational development plan has been developed.

### Best Value, use of resources and performance

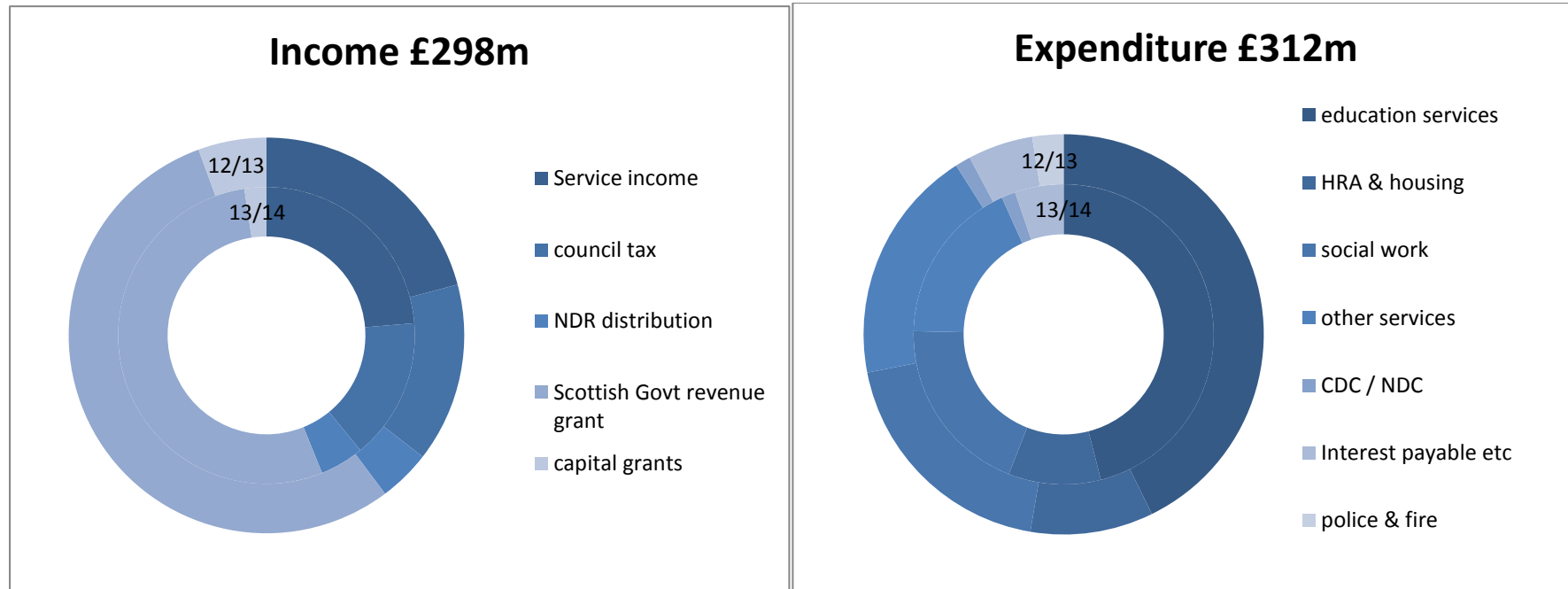
9. The council continues to have a strong focus on performance management including a well-established framework for monitoring and reporting performance against the council's priorities. Six monthly performance and accountability reviews continue to be completed, with action plans where appropriate.
10. A review of the quality of the public reporting of Statutory Performance Information by Audit Scotland's Performance and Best Value section highlighted that 81% of the council's information fully met the desired criteria with 19% partially meeting the criteria.

# Introduction

11. This report is a summary of our findings arising from the 2013/14 audit of East Renfrewshire Council.
12. Our responsibility, as the external auditor of East Renfrewshire Council, is to undertake our audit in accordance with International Standards on Auditing (UK and Ireland) and the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011.
13. The management of the council is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
14. This report is addressed to the members of East Renfrewshire Council and the Controller of Audit and should form the basis of discussions with the Audit and Scrutiny Committee. This report will be published on our website after it has been considered by the council. The information in this report may be used for the Account's Commission's annual overview report on local authority audits, which is presented to the Local Government and Regeneration Committee of the Scottish Parliament.
15. A number of reports, both local and national, have been issued by Audit Scotland during the course of the year. These reports are shown at Appendices I and II. Appendix III sets out the significant audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.
16. Appendix IV is an action plan setting out the high level risks we have identified from the audit. Officers have considered the issues and agreed to take the specific steps in the column headed "Management action/response". We recognise that not all risks can be eliminated or even minimised. What is important is that East Renfrewshire Council understands its risks and has arrangements in place to manage these risks. The council and the Proper Officer should ensure that they are satisfied with proposed management action and have a mechanism in place to assess progress and monitor outcomes.
17. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
18. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.



# Financial statements



The financial statements show that income, of £298 million this year, is £6.2 million (2%) less than last year. Revenue grants from the Scottish Government reduced by £9.9 million reflecting the transfer of Police and Fire services, which are no longer funded by grants to local government. Capital grants also reduced by £10 million. These changes were offset by additional income generated by services (£5.5 million) and a gain of £2.8 million on the sale of assets.

Expenditure increased overall by £15 million (5%) to £312 million, mainly as a result of additional expenditure in education services (£16.8 million), housing (£1.5 million) and Social Work (£3.4 million) partially offset by the transfer of police and fire service funding (£7.5 million).

### Audit opinion

19. We have given an unqualified opinion that the financial statements for 2013/14 give a true and fair view of the state of the affairs of the council and its group as at 31 March and of the income and expenditure for the year then ended.

### Other information published with the financial statements

20. Auditors review and report on other information published with the financial statements, including the explanatory foreword, annual governance statement and the remuneration report. We have nothing to report in respect of these statements.

### Legality

21. Through our planned audit work we consider the legality of the council's financial transactions. This includes obtaining written assurances from the Head of Accountancy (the Proper Officer). There are no legality issues arising from our audit which require to be reported.

### Registered charities

22. The Charities Accounts (Scotland) Regulations 2006 sets out the accounting and auditing rules for Scottish charities. These required, for the first time in 2013/14, a full audit of all registered charities accounts where members or officers of a

local authority are the sole trustees.

23. We have given an unqualified opinion on the 2013/14 financial statements of the relevant charities.

### Group accounts

24. Local authorities are required to prepare group accounts where they have a material interest in other organisations.
25. East Renfrewshire Council has accounted for the financial results of three associates, the Common Good Fund and seventeen sundry trusts in its group accounts for 2013/14. The overall effect of consolidating these balances on the group balance sheet is to increase total reserves and net assets by £7.6 million. The net assets of the group at 31 March 2014 (£235 million) increased by £124 million from last year, due to the transfer of Police and Fire functions on 1 April 2013 and the removal of the associated pension liabilities from the group accounts.

### Whole of government accounts

26. The whole of government accounts (WGA) are the consolidated financial statements for all branches of government in the UK. Officers submitted the consolidation pack for audit by the deadline. The 2013/14 certification threshold has increased to £350 million, so no audit return was required for the council.

## Report to those charged with governance

27. We presented to the Audit and Scrutiny Committee, on 25 September 2014, our report to those charged with governance (ISA 260). The primary purpose of that report is to communicate the significant findings arising from our audit prior to finalisation of the independent auditor's report.
28. **Common Good:** The council recognised Common Good Fund assets (Cowan Park, Barrhead) with a value of £954,873 for the first time. Our work identified that there are other assets within Cowan Park which are classified as community assets which are not attributable to the Common Good. These include synthetic pitches (£44,956) and an unspecified area of Cowan Park (£40,334). Officers and management confirmed that these do not form part of the Common Good.
29. Assets were identified as Common Good through the legal process adopted as part of the new Barrhead High School project. The council should consider conducting a formal review of its assets to further identify any assets on its register that could be common good assets.

### Refer Action Plan Point 1

## Outlook

30. Next year (2014/15) there are changes to the accounting framework, including:
- IFRS 10 Consolidated financial statements
  - IFRS 11 Joint arrangements
  - IFRS 12 Disclosures of interests in other entities
  - IAS 28 Investments in associates and joint ventures.
31. These standards affect the group financial statements and include a change to the definition of control. The limited nature of the council's group is unlikely to require any significant reassessment of the group boundary.
32. The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires highways assets to be measured for the first time on a depreciated replacement cost basis in 2016/17 (they are currently included at depreciated historic cost). This will require a revised opening balance sheet as at 1 April 2015 and comparative information in respect of 2015/16. The council should ensure it is planning ahead to allow full compliance with the Code.

### Refer Action Plan Point 2

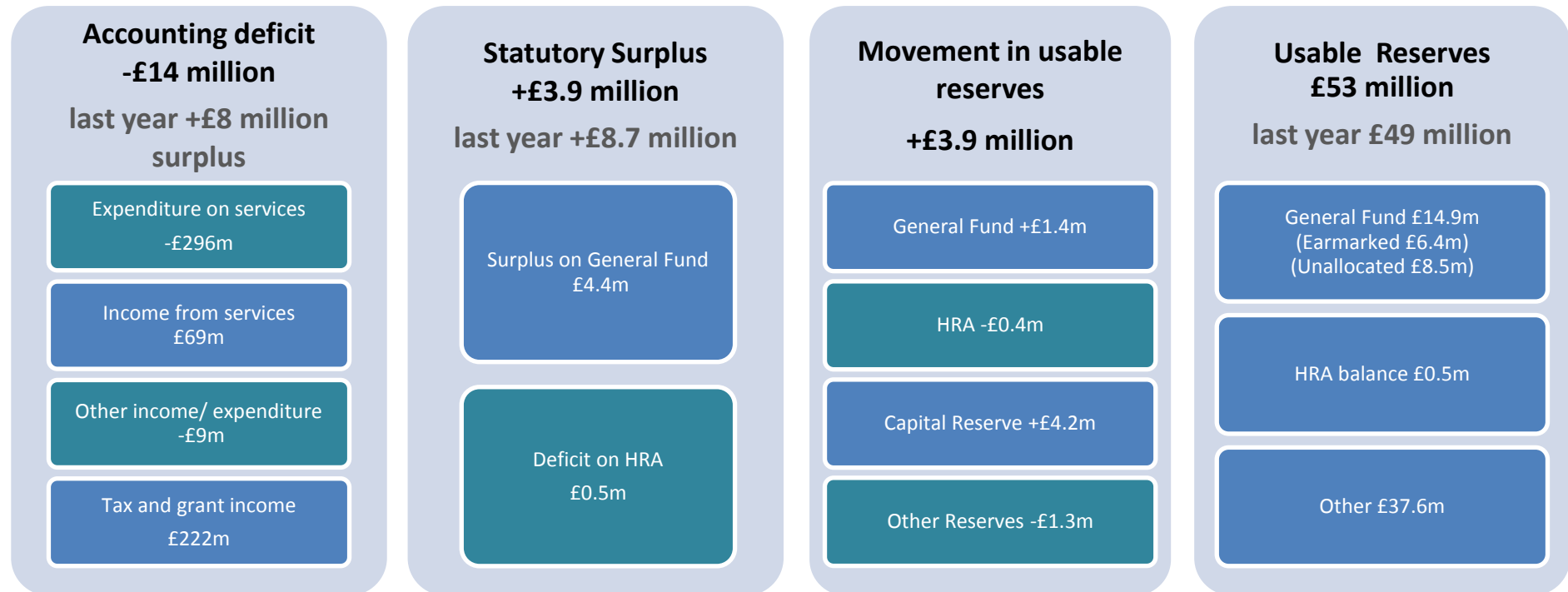
33. Recently, significant developments have been made in case law in relation to holiday pay entitlement. COSLA sought legal advice and intimated that councils should now act to regularise the position on holiday pay. The financial statements contained a contingent liability, however officers have recently provided information to Cabinet suggesting the way forward for the council. We will review the position in 2014/15.

## Financial statements

34. The Local Authority Accounts (Scotland) Regulations 2014 set out new requirements for local authorities: to review their system of internal financial control; prepare annual governance statements and define a more detailed process for considering annual accounts. One of the changes requires the unaudited accounts to be considered by the Audit and Scrutiny Committee. This can take place following submission to the auditor and up to 31 August if necessary. In addition, the audited accounts must be considered by the Audit and Scrutiny Committee by 30 September with publication on the council's website by 31 October, each year.

### **Refer Action Plan Point 3**

# Financial position



### Accounting deficit and statutory surplus

35. The council reported an accounting deficit of £13.6 million on the provision of services. There are three main areas of accounting adjustments that are made to translate the accounting surplus to the statutory position:
- capital charges – depreciation is removed and an internal repayment of debt from services substituted (+ £25.2 million)
  - actuarial pension charges are removed and employer pension contributions substituted (+ £7.4 million)
  - removal of capital grants and capital funded from revenue and gains/ losses on sale of assets (- £12.9 million).
36. Taking the above adjustments into account, the general fund increased by £4.4 million in the year and the housing revenue account balance decreased by £0.5 million.

### Budget outturn

37. The 2013/14 budget, approved by the council on 7 February 2013, included a planned contribution to the general fund of £0.5 million. As the council secured higher than expected levels of savings during the year, it achieved an outturn of £3.9 million, most of which was transferred to the capital reserve.

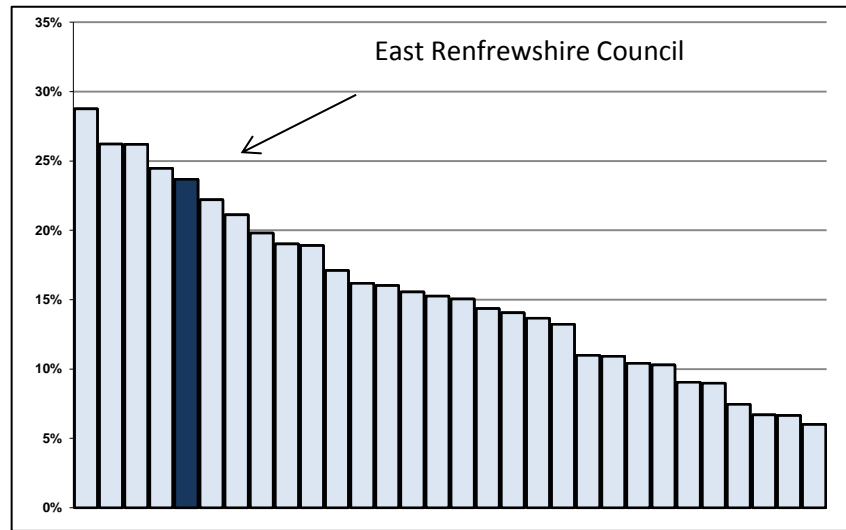
### Housing Revenue Account (HRA)

38. The Housing Revenue Account deficit of £0.5 million reflects the council's decision to fund an upgrade of the heating system at a sheltered housing complex. It also reflects the redundancy costs of two employees, the costs of which will be met from savings assumed over the next four years.

### Usable reserves

39. Usable reserves are part of a council's strategic financial management and are used for medium and longer term planning. As shown above, the overall level of usable reserves increased during the year.
40. Exhibit 1 shows that the council continues to have a relatively high level of reserves, compared to other councils, as it plans to fund specific projects and anticipated financial pressures.

**Exhibit 1: Usable Reserves as a % of net revenue**



Source: - Scottish councils' unaudited accounts 2013/14

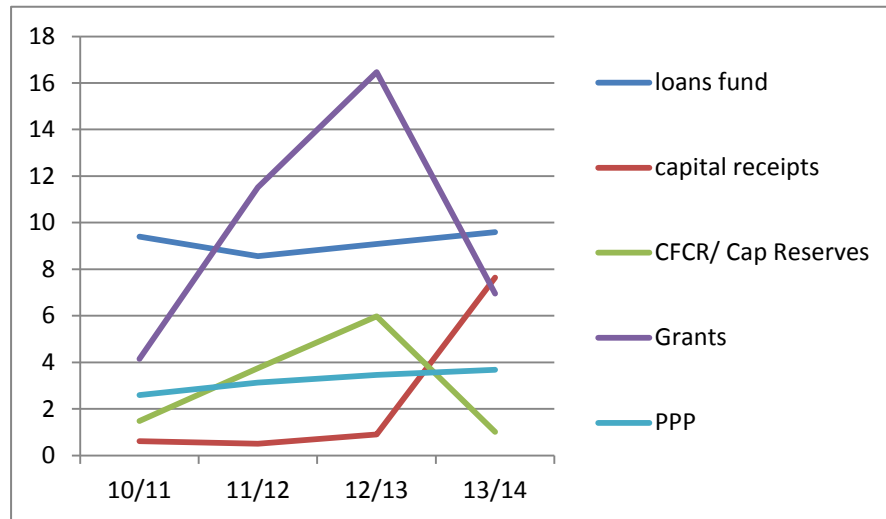
- 41. The general fund balance increased by £1.4 million during the year. The closing balance at 31 March 2014 is made up of earmarked commitments of £6.4 million and an unallocated balance of £8.5 million, or 4% (2012/13: 3.5%). This position is in line with the council's policy which is to maintain uncommitted reserves at a minimum of 4% of annual budgeted net revenue expenditure over the medium term.
- 42. The unallocated general fund reserve has been maintained at a similar level for the last three years (£8.5 – £9.0 million), however total usable reserves have increased by £7.7 million (17%). Most of this increase has been in the capital reserve.

43. We conclude that, subject to any major change in Scottish Government funding, the financial position of the council remains stable and its activities are currently financially sustainable. In the medium term, actions are being taken to address future financial pressures (see paragraphs 51 - 52).

**Capital investment and performance 2013/14**

- 44. Total capital expenditure was £21.5 million. Investment included £0.5 million on Eastwood Health and Care Centre, £8.1 million on schools and nurseries, £1.4 million on regeneration projects and £1.8 million on roads improvements.
- 45. There was an underspend against the planned level of capital expenditure of £7.9 million (26.7%). The main reason for this slippage included delays due to protracted legal negotiations on Eastwood Health and Care Centre. The progress on some ICT projects has been limited due to work being undertaken on Public Sector Network accreditation.
- 46. The capital programme was funded as shown at Exhibit 2.

**Exhibit 2: Sources of finance for capital expenditure**



Source: East Renfrewshire Council Annual Accounts 10/11 to 13/14

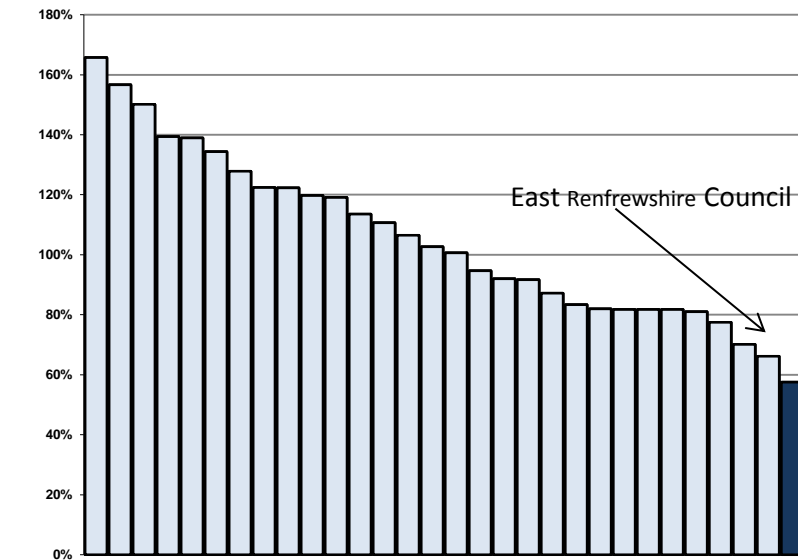
47. As detailed above there has been a significant increase in capital receipts due to the sale of land to Asda in Barrhead. This has been offset by a reduction in government grants and contributions. Last year the council received a high level of grant for Eastwood High School (£11 million).

**Treasury Management**

- 48. As shown at Exhibit 3, the council's net external debt position continues to be the lowest amongst Scottish mainland councils.
- 49. East Renfrewshire Council has continued to reduce long term debt by £2.9 million to £68.8 million. The council had total

borrowings of £71.8 million at 31 March 2014 (£84.7 million in 2012/13)

**Exhibit 3: Net external debt as a proportion of net revenue**



Source: Scottish councils' unaudited accounts 2013/14

50. Audit Scotland has, on behalf of the Accounts Commission, recently completed a national review of borrowing and treasury management in councils. The national report is planned for publication in January 2015.

**Outlook**

51. In February 2014 the council approved a budget of



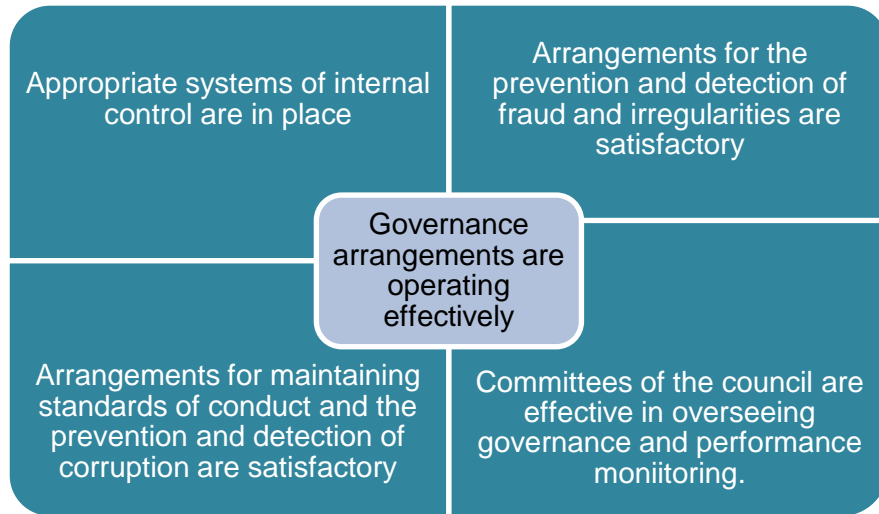
## Financial position

£213.6 million for 2014/15. This represents an increase of 0.8% on 2013/14. (£1.7 million). The budget includes an additional provision of £2.1 million to meet the client service demands experienced by the CHCP and includes savings measures of £4.3 million. The savings measures identified include:

- a review of management and administration staffing (£0.4m)
- a reduction in the number of teachers for P1, whilst recognising the legal class size requirement of 25 (£0.3m)
- redesign of care at home (£0.3m)
- budget adjustments to reflect current demands and previously agreed decisions (£0.9m)
- procurement efficiencies (£0.5m).

52. The most recently reported financial position for 2014/15 (as at 21 August 2014) details an operational underspend of £0.2 million, to date. The council will prepare its first forecast outturn at the end of period 7 which will be reported to Cabinet in December.

# Governance & accountability



53. Members of the council and the Proper Officer are responsible for establishing arrangements for ensuring the proper conduct of the affairs of East Renfrewshire Council and for monitoring the adequacy and effectiveness of these arrangements.

## Corporate governance

54. The corporate governance framework within East Renfrewshire Council is centred on the Council which is supported by the following standing committees.



55. Based on our observations and audit work our overall conclusion is that the governance arrangements within East Renfrewshire Council are operating effectively.

## Internal control

56. As part of our audit we reviewed the high level controls across the council's financial systems. Our overall conclusion was that East Renfrewshire Council had appropriate systems of internal control in place during 2013/14 and no significant control weaknesses were identified.

## Internal audit

57. Internal audit provides members of the council and the Proper Officer with independent assurance on the overall risk management, internal control and corporate governance processes. We are required by international auditing

## Governance & accountability

standards to make an assessment of internal audit to determine the extent to which we can place reliance on its work. To avoid duplication, we place reliance on internal audit work where appropriate

58. Our review of internal audit concluded that the internal audit service operates in accordance with the Public Sector Internal Audit Standards and has sound documentation standards and reporting procedures in place.

## Public Services Network

59. For the first time in 2012/13, councils had to apply to connect to the Public Services Network (PSN) to allow the sharing of electronic data with other public bodies, such as the Department of Works and Pensions.
60. Complying with the PSN code of connection has been a major challenge for the council and increased costs have been incurred in 2013/14 totalling £0.2 million. These include investment in stronger internal data network segmentation to provide the necessary separation between PSN and non-PSN systems.
61. PSN compliance has resulted in a number of operational changes for council staff. Staff are no longer able to log-on to the council network from their own computers. The most visible impact of this action is the removal of Outlook Web Access (OWA). This was viewed as an essential business tool

and consequently there have been a number of requests for laptops and mobile phones from staff.

62. ICT resources deployed to meeting the PSN compliance standards have resulted in fourteen projects being delayed by about three months each. Work is ongoing to maintain PSN accreditation and re-accreditation is due by January 2015.

## Arrangements for the prevention and detection of fraud

63. The council's arrangements for the prevention and detection of fraud and irregularities were satisfactory, based on our review of key controls, testing of transactions and review of National Fraud Initiative (NFI) arrangements.
64. The NFI uses electronic data analysis techniques to compare information held on individuals by different public sector bodies and different financial systems, to identify data matches that might indicate the existence of fraud or error. Overall, we concluded that the council has satisfactory arrangements in place for investigating and reporting data matches identified by the NFI.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

65. The arrangements for the prevention and detection of

## Governance & accountability

corruption in East Renfrewshire Council are satisfactory and we are not aware of any specific issues that we need to record in this report.

66. The council has a Code of Conduct for both members and officers with specific sections for each group. This Code covers a number of areas including gifts and hospitality, expenses and allowances, use of council resources and tendering. The council also has an Anti-Fraud and Bribery Strategy which includes reference to all relevant policies and procedures aimed at preventing fraud and corruption.
67. The code of conduct for members requires them to complete an annual Declaration of Interest which is held on a central register by the Chief Executive's Department. Our review of the Register of Interests for members noted that returns had not been received from all councillors. Although in each case a prior declaration existed, there was no correspondence to confirm that there had been no change from the prior disclosure.

### Refer Action Plan Point 4

68. In our 2012/13 Annual Audit report we noted that although the Register of Interests is being used by some members of staff there would be merit in further reinforcing the need for staff to disclose any possible conflict of interest in the register.
69. Our review highlighted that there were only eight staff

disclosures for 2013/14. We noted that an email was issued to all staff indicating the requirement for any relevant disclosures and the details are included on the staff intranet. Whilst acknowledging that the council has been proactive in trying to raise awareness of the register of interests the eight responses don't appear to capture the potential interests of staff across the organisation.

### Refer Action Plan Point 5

70. During our review of expenses we reviewed the travel and subsistence policy but could find no guidance on the council's policy on alcohol. Officers agreed to review and revise the policy during 2014/15.

## Correspondence referred to the auditor

71. Part of Audit Scotland's duties as external auditors of East Renfrewshire Council is to consider concerns raised by members of the public about the council. If appropriate, we may investigate them further. During 2013/14 we followed up an issue raised by a member of the public for Community Grants procedures.
72. We concluded that the council had acted appropriately although the initial grant letter conditions could have been clearer. The council had already acknowledged this and grant letters have been changed.

## Integration of adult health and social care

73. The Public Bodies (Joint Working) (Scotland) Act received royal assent on 1 April 2014. The Act provides the framework for the integration of health and social care services in Scotland and require to be fully implemented for adult services from April 2015.
74. This will require:
- The establishment of a local integrated partnership and related governance arrangements.
  - Integrated budgets for health and social care.
  - Joint responsibility for strategic and locality planning in the area served.
75. A joint approach to health and social care integration has been established between the chief executive of NHS Greater Glasgow and Clyde and the chief executives of the three councils (East Renfrewshire, Inverclyde and West Dunbartonshire) where CHCPs currently exist. A jointly agreed transition/organisational development plan has been developed and shared with the Scottish Government for assessment and consideration of specific funding.
76. In preparation for integration, the CHCP Committee/Shadow Integration Joint Board will develop its performance scrutiny and governance roles to reflect the emerging obligations of Health and Social Care Partnerships (HSCP). Planning

arrangements will remain unchanged for 2014/15. The CHCP Director has assumed the additional role of Chief Officer designate of the shadow HSCP and will lead the development of a full strategic plan for the HSCPs.

## Welfare Reform

77. The council recognises the impact that the changes to the UK welfare system could have on resources and service provision. 2013/14 was a period of significant change with council tax benefits being replaced by the new Council Tax Reduction Scheme and the introduction of the Scottish Welfare Fund. Councils continue to face uncertainties over the roll out of the Universal Credit and there is the potential for even further reforms after the Scottish independence referendum.
78. The council has been effectively monitoring and planning ahead to mitigate against the impact of the reforms. The council has set up a Welfare Reform Planning Group with involvement from key staff. A recent Cabinet paper provided an update on the current position and asked for approval for an allocation of £0.3 million to fund staff involved with welfare reform and £0.04 million for East Renfrewshire Council's Citizens Advice Bureau.
79. At the year end current tenant rent arrears were £0.4 million with £0.02 million (5%) for under-occupancy tenants.

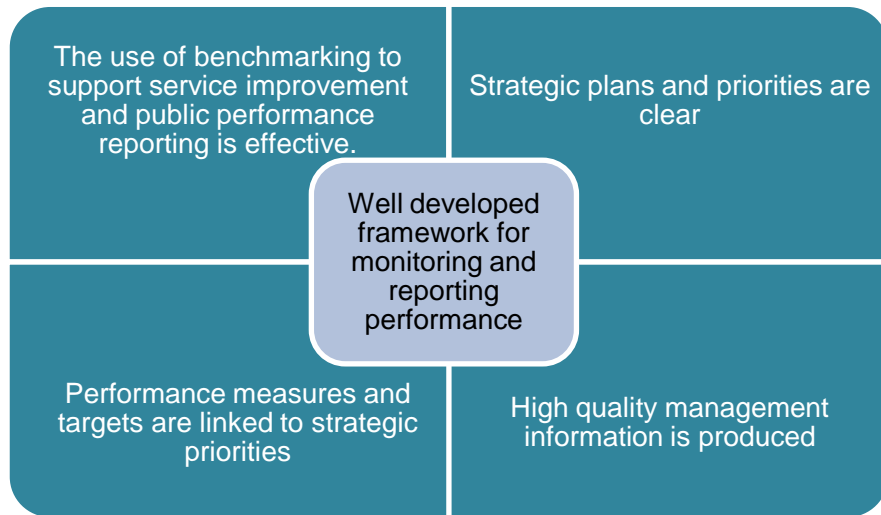
## Housing benefit performance audit

80. In June 2014, Audit Scotland published *Benefits Performance Audit Annual Update 2013/14* identifying common areas of benefits risk across Scotland. These include having a sufficient level of experienced staff and being able to undertake effective intervention activity.
81. The council performance for processing of new claims in 2013/14 was 30 days against a target of 29 days. In relation to processing changes the council performance of 9 days exceeds the target of 10 days.
82. East Renfrewshire Council's benefit service has been selected for a follow up risk assessment in 2014/15. Work on this area has already started and should be complete in the near future.

## Outlook

83. Councils continue to face major reforms in welfare and health and social care.
84. There are to be major changes in councils' responsibilities for the investigation of fraud. The new Single Fraud Investigation Service (SFIS) is a national fraud investigation service within the Department for Work and Pensions that will take over the responsibility for the investigation of housing benefit frauds. The investigation of the Local Council Tax Reduction Scheme and corporate frauds will remain within councils.

## Best value, use of resources and performance



85. Local authorities have a statutory duty to provide best value in those services they provide directly as well as those provided through agreements with Arms Length External Organisations. This requires continuous improvement while maintaining a balance between quality and cost and having regard to value for money, equal opportunities and sustainability. There is also the duty to report performance publicly so that local people and other stakeholders know what quality of service is being delivered and what they can expect in the future.

### Arrangements for securing Best Value

86. The council has developed an approach to assessing the effectiveness and efficiency of service delivery. "How good is our service" is based on the European Foundation of Quality Management excellence model, widely used in the public and private sectors.
87. Each year services use this approach to look at how well they are performing and to identify actions and priorities for the year ahead.
88. The council's Public Service Excellence (PSE) programme focuses on improving services and being more efficient. Through PSE the council aims are to:
- ensure the council is fit for purpose in the future;
  - enable widespread customer engagement;
  - deliver efficient back office services and maintain frontline services;
  - enable the council to participate in shared service opportunities with no compromise to existing services and provisions.
89. Since inception, the PSE programme has achieved recurring financial savings of £4.1million and a workforce reduction of 231 FTE (6 % of total workforce).

## Use of resources

90. Asset Management Plans have been prepared for each council owned asset and are in the process of being approved by Cabinet. The CIPFA guide to Asset Management and Capital Planning and Audit Scotland's Best Value Toolkit were used in preparing the majority of plans which will be reviewed annually. Each plan includes timescales and SMART targets with strategic objectives linked to the council's corporate objectives.
91. The council has a well developed approach to staff development as supported by a corporate training calendar, e-learning and 'on- the-job' training.
92. The Audit and Scrutiny Committee was provided with a statement on the council's position and response to the Audit Scotland Report – *Management of Early Departures in the Public Sector*. The cost of early retirements and voluntary redundancy to the council is reported annually to the Committee. In 2013/14 the council had 56 exit packages at a cost of £1.9 million.

## Performance management

93. The council's Outcome Delivery Plan (ODP) is linked to the Single Outcome Agreement (SOA) and sets out how the outcomes in the SOA will be met. The Corporate Statement identifies the vision for local services and the local area.
94. Six monthly performance and accountability reviews are

carried out, with agreed actions. The council adopts a cyclical approach to performance reporting and publishes information throughout the year. For example, educational attainment information is reported mid-year.

95. Regular reports on performance are provided to the Corporate Management Team and Cabinet, with mid year and year end reports on SOA outcomes and the ODP.
96. We are satisfied that appropriate arrangements were in place within East Renfrewshire Council for 2013/14.
97. Since reporting, some additional 13/14 data is now available. For the majority of these additional indicators, the targets have been met or are on track to meet longer term targets.

## Overview of performance targets in 2013/14

98. The 2013/14 annual performance report prepared by the council for its residents concludes that 81% of the strategic indicators were achieved or exceeded.
99. There are no areas where performance is showing a significant deterioration.

## Statutory performance indicators

100. The Accounts Commission has a statutory power to define performance information that councils must publish locally and it does this through its annual Statutory Performance



## Best value, use of resources and performance

Information Direction. Since 2008 this has focused on councils' responsibility for reporting performance information.

101. The Local Government Benchmarking Framework focuses on three statutory performance indicators (SPIs) namely :
- SPI 1: corporate management of employees, assets and equalities and diversity
  - SPI 2: service performance
  - SPI 3: reporting of performance information.
102. An evaluation of all Scottish Local Authorities' approaches to public performance reporting (PPR) has been carried out by Audit Scotland's Performance Audit and Best Value section, the results of which were reported to the Accounts Commission in June 2014. Individual assessments were also reported to councils' Chief Executives, Leaders and Chairs of Audit Committees. These highlighted the extent to which their PPR material either fully, partially or did not meet the criteria used in the evaluation. 81% of East Renfrewshire Council's information fully met the criteria and 19% partially met the criteria. A further evaluation of councils' approaches to PPR is due to be carried out by Audit Scotland in spring 2015.

## Assurance and improvement plan 2014-17

103. The Assurance and Improvement Plan (AIP) covering the period 2014 to 2017 is the fifth AIP for East Renfrewshire Council prepared by the Local Area Network of scrutiny

partners for the council since the introduction of the shared risk assessment process. This has been published on Audit Scotland's website and was submitted to the Cabinet on 19 June 2014.

104. The AIP concluded that no risk based scrutiny work was required within the council's corporate or service areas. However, the Scottish Housing Regulator (SHR) required progress updates on how the council's Housing Service is performing. This included reducing levels of rent arrears, void rent loss and reducing the use of bed and breakfast accommodation.
105. The service has been reviewing the use of bed and breakfast accommodation and a Housing Services Customer Engagement Strategy. To address the need for smaller social rented properties, the council with assistance from the Government, is seeking to purchase a small amount of one-bedroom properties in the area. The council will commit £0.4 million with another £0.4 million from the government.

## Local performance audit reports

### Major Capital Investments in Councils – follow up:

106. The report on Major Capital Investment in Councils was published in March 2013. Our follow-up review identified the following areas of good practice:
- The council has moved from a 5 year to an 8 year capital

## Best value, use of resources and performance

programme to assist in the delivery of large scale projects.

- The council considers a variety of funding sources for its capital projects and as a result of revenue efficiency savings has increased the council's Capital Reserve.
- The council has a history of joint working with other public bodies on major capital projects and this continues with current projects.

**107.** We also found areas where there is scope for improvement:

- The council did not produce a formal action plan following its consideration of the report.
- The Good Practice guidance and checklist have not been issued to project managers.
- Additional training has not been provided to elected members, as requested by the Audit and Scrutiny Committee members.
- Post implementation reviews are not conducted on all projects to ensure that the anticipated benefits are being delivered.
- The council did not produce a detailed project spend against milestones for every project, only for major projects.

## National performance audit reports

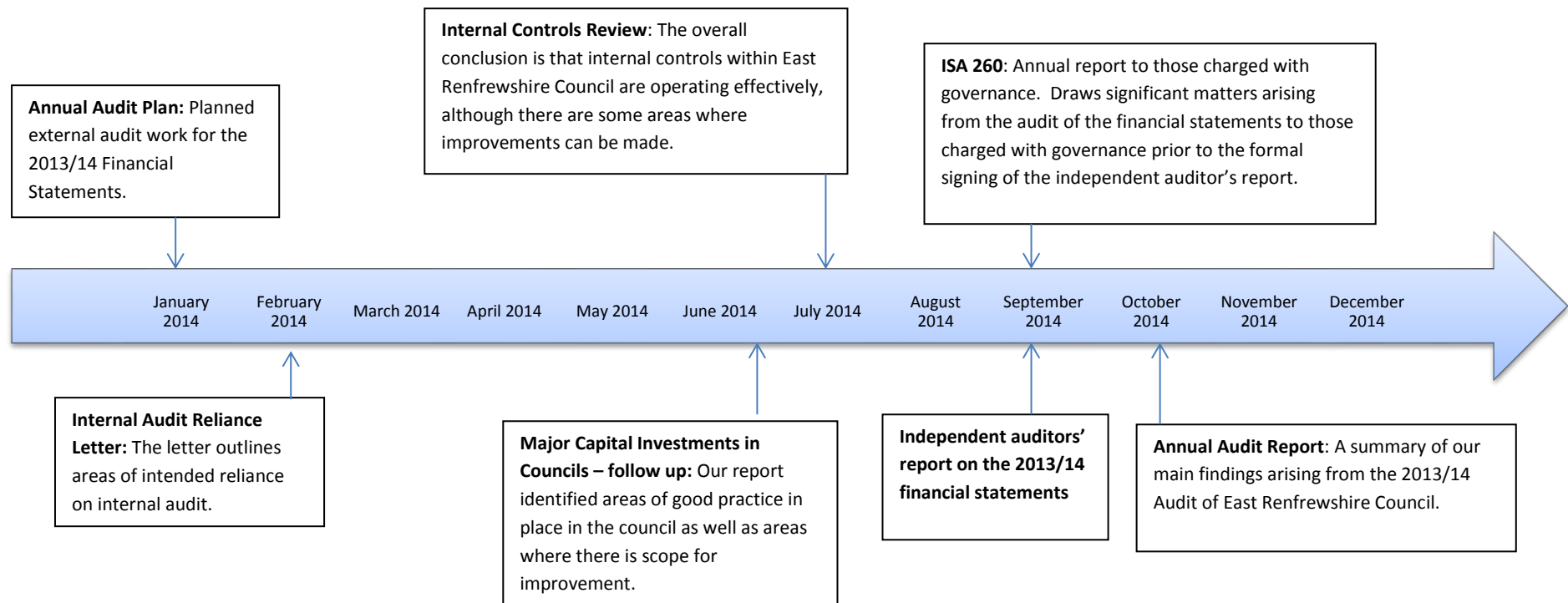
**108.** The Audit and Scrutiny Committee consider all national reports issued. A response, indicating the council's position in relation

to the recommendations, is prepared by the relevant department and if appropriate presented to the committee by a departmental representative. A summary of national performance audit reports, along with local audit reports, is included in Appendices I and II.

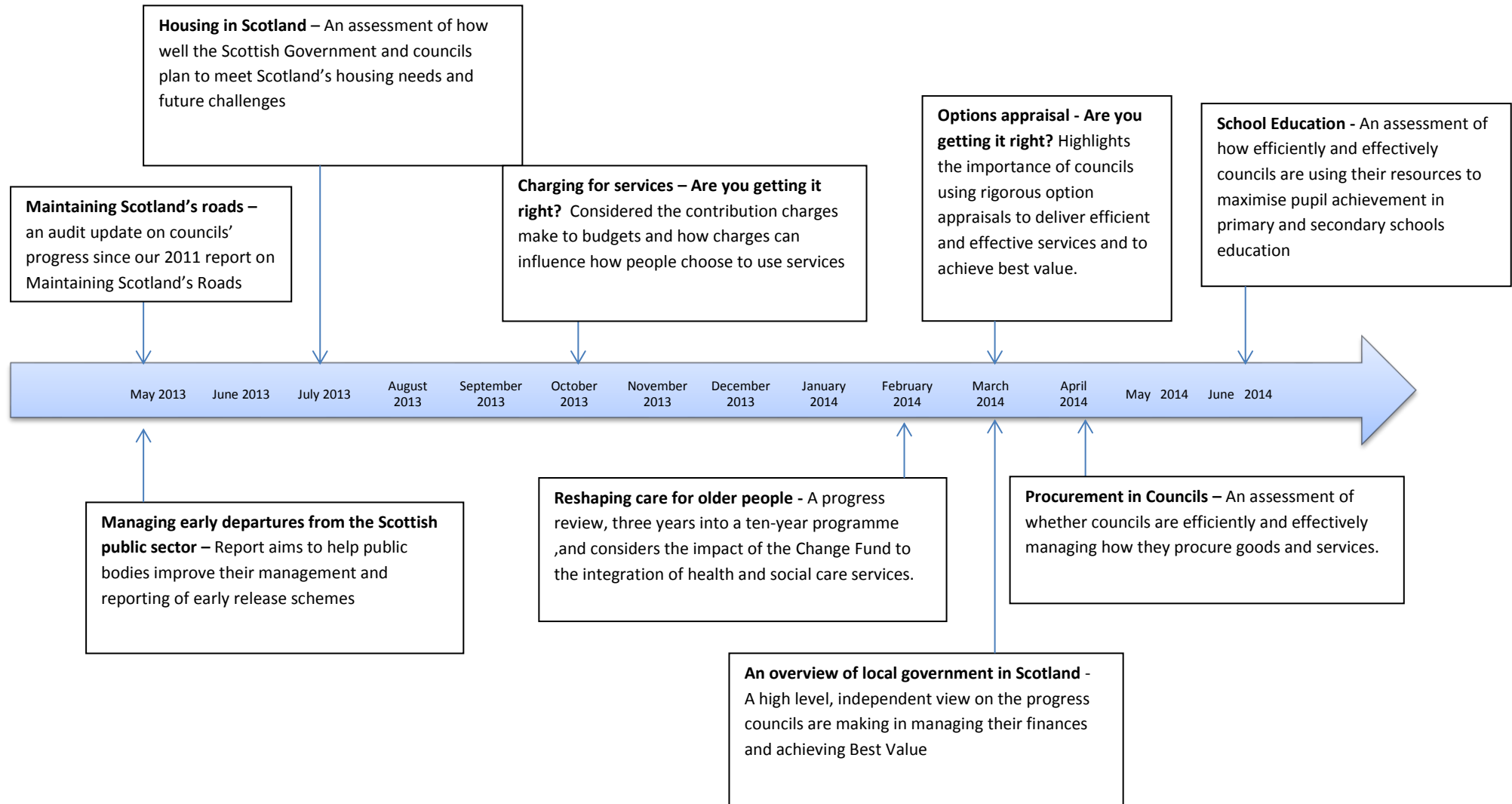
## Outlook

**109.** The council is moving forward with its recent proposal to transfer some current council services to a cultural and leisure trust. The Steering Group meets regularly and it is anticipated the transfer will take place in the financial year 2015/16. Discussions have been held with trade union officials and information for staff is provided on the Intranet.

## Appendix I – Summary of East Renfrewshire Council local audit reports 2013/14



## Appendix II – Summary of Audit Scotland national reports 2013/14



## Appendix III – Significant audit risks

The table below sets out the key audit risks identified at the planning stage and how we addressed each risk in arriving at our opinion on the financial statements.

Audit Risk	Assurance procedure
<b><i>Risk of material misstatement</i></b>	
<p><b>Council Tax Reduction Scheme</b></p> <p>The removal of Council Tax Benefit and the introduction of the above will have an effect on the disclosure in the Council Tax Income Account and the year end Subsidy Claim. There may be misstatements or disclosure errors in the financial statements.</p>	<p>We reviewed the disclosure in the Council Tax Income Account and confirmed the classification and disclosure was correct.</p>
<p><b>Risk of Fraud over revenue recognition</b></p> <p>There is a risk that income is not correctly recognised and accurately recorded.</p>	<p>As part of our financial statements work we substantively tested revenue streams to confirm that income was complete and accurately recorded. No issues were identified.</p>
<p><b>Carbon Allowances</b></p> <p>The council has purchased additional carbon allowances to be utilised in future. These may not be properly disclosed in the financial statements.</p> <p>There is a risk that carbon allowances are not correctly accounted for/disclosed within the financial statements.</p>	<p>The allowance was reviewed as part of our financial statements work and we concluded that it had been disclosed correctly in the financial statements.</p>

## Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Common Good</b></p> <p>Cowan Park has been identified as Common Good and therefore requires separate disclosure in the financial statements.</p> <p>There is a risk that this is not correctly disclosed within the financial statements.</p>	<p>Ongoing discussions were held with finance officers and Audit Scotland's Technical Unit on receipt of the proposed accounting treatment and disclosure.</p> <p>The information in the 2013/14 Annual Accounts was reviewed as part of our financial statements audit and we were satisfied that the identified assets had been properly disclosed.</p>
<b>Wider risk</b>	
<p><b>Financial Sustainability</b></p> <p>Scotland's public bodies continue to face increasing demand and cost pressures for their services in the foreseeable future. An indicative 2014/15 budget was agreed in February 2013 which included savings measures quantified over 2 years. A funding shortfall of £10.8 million for the period up to 2014/15 has been identified.</p> <p>The potential for the non achievement of identified savings could have an impact on the financial position of the council.</p>	<p>We reviewed the detailed budget papers presented to Cabinet throughout the year as well as continued discussion with council officers.</p> <p>The savings achieved were reviewed against the savings plans.</p> <p>We reviewed the financial position at the year end including out-turn and the level of reserves.</p> <p>We conclude that, subject to any major change in Scottish Government funding, the financial position of the council remains stable and its activities are currently financially sustainable. In the medium term, actions are being taken to address future financial pressures.</p>

## Appendix III – Significant audit risks

Audit Risk	Assurance procedure
<p><b>Housing Revenue Account</b></p> <p>Welfare Reform is resulting in major changes to the welfare system across the UK. The council anticipates an increase in Rent Arrears in part attributable to the Single Room Subsidy. The increase in rent arrears may affect the financial position of the Housing Revenue Account.</p>	<p>We received updates from Revenues and Benefit Staff and, as part of the audit process, reviewed the level of rent arrears, rents written off and the provision for irrecoverable debts.</p> <p>We concluded that overall the financial and resource pressures on the HRA have been managed successfully in this first year of welfare reform.</p>
<p><b>Business Continuity (ICT)</b></p> <p>Although a Business Continuity Plan (BCP) has been prepared by the ICT department, there has been no recent review of this plan. BCPs should be subject to regular review and testing to ensure that in the event of an incident, key systems can be restored.</p> <p>There is a risk that key systems cannot be restored following an incident, and key data will be lost.</p>	<p>We held discussions with key personnel within the ICT department to ensure that the BCP is subject to regular review and testing. The ICT department is in the process of consolidating the BCP into a wider Corporate and Community Service departmental plan.</p>

## Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
1/29	<p><b>Common Good Assets</b></p> <p>This year for the first time, the council recognised Common Good Fund assets (Cowan Park, Barrhead) with a value of £954,873. The council reviewed the park plan and identified the appropriate elements as Common Good assets through the legal process adopted as part of the new Barrhead High School project.</p> <p><b>Recommendation</b> – The council should review the asset register to identify common good assets.</p> <p><b>Risk</b> – The council may have other assets which are incorrectly classified.</p>	<p>The council will conduct a formal review of assets to further identify any in the asset register which could be common good assets.</p>	Chief Solicitor	31 March 2016



Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
2/32	<p><b>Highways Assets</b></p> <p>Highways assets are to be measured for the first time on a depreciated replacement cost basis in 2016/17. This will require a revised opening balance sheet as at 1 April 2015 and comparative information for 2015/16.</p> <p><b>Recommendation</b> – The council should put arrangements in place for the new accounting requirements for highways assets.</p> <p><b>Risk</b> – The council may be unable to identify/ include accurate valuation information for comparative purposes in the 2015/16 financial statements.</p>	<p>The council will review the accounting requirements.</p> <p>Information is currently provided for the Whole of Government accounts.</p>	Principal Accountant (Capital)	30 June 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
3/34	<p><b>Local Authority Accounts (Scotland) Regulations 2014</b></p> <p>The unaudited accounts for 2014/15 are to be considered by the Audit and Scrutiny before 31 August and the audited accounts must be considered by 30 September with publication on the council’s website by 31 October, each year.</p> <p><b>Recommendation</b> – The council should have arrangements in place to comply with the new requirements.</p> <p><b>Risk</b> – The new statutory deadlines are not achieved due to the timing of Committee meetings and the timetable for preparing and revising the accounts.</p>	The council will revise the timetable for the closure of the accounts	Chief Accountant	31 August 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
4/67	<p><b>Elected Members’ Code of Conduct</b></p> <p>The council Code of Conduct for members requires an annual Declaration of Interest to be completed for inclusion in the central register. However our review noted that in several instances an updated return had not been received this year.</p> <p><b>Recommendation</b> – The council should strengthen the annual update arrangements.</p> <p><b>Risk</b> – The interests of elected members may be incomplete.</p>	An updated disclosure will be provided annually.	Democratic Services Manager	30 June 2015

Appendix IV – Action plan

Ref/Para	Issue, recommendation and risk	Management action/response	Responsible officer	Target date
5/69	<p><b>Staff Register of Interests</b></p> <p>Only eight staff disclosures were made in the register of interests for 2013/14. The council has been proactive in trying to raise awareness of the register of interests, however the eight responses received don't appear to capture the potential interests of staff across the organisation.</p> <p><b>Recommendation</b> – The council should further reinforce the register of interests requirements.</p> <p><b>Risk</b> – Staff interests exist which are not known and may adversely affect decisions/ behaviours.</p>	<p>Further reinforcement of the requirements and all staff being made aware of their responsibilities.</p>	Deputy Chief Executive	30 June 2015