

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE25 November 2021Report by Head of Accountancy (Chief Financial Officer)2020/21 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST
RENFREWSHIRE COUNCIL**PURPOSE OF REPORT**

1. The Audit of the Council's Annual Accounts for 2020/21 has been completed and a copy of the Accounts is now submitted for consideration by the Audit and Scrutiny Committee. In addition, the draft Annual Audit Report to the Council and the Controller of Audit for 2020/21 has been prepared by the External Auditors making reference to the International Standard on Auditing (ISA) 260 report to those charged with governance.

RECOMMENDATION

2. The Committee is invited to: -
- Consider the draft 2020/21 Annual Audit Report to the Council and the Controller of Audit and related ISA 260 report;
 - Note and comment on the content of the Council's Annual Accounts for 2020/21; and
 - Remit the report to Council for consideration.

BACKGROUND

3. The external audit of the Council's Annual Accounts for 2020/21 has now been completed and the Council has been awarded an audit certificate which has no qualifications. A copy of the Accounts is attached as Appendix 1.

REPORT

4. The financial position of the Council continues to be satisfactory. In particular, the Accounts show that: -
- As the Council operated comfortably within budget it did not require to drawdown £3,500k from reserves as planned. Instead, a contribution of £2,027k was made to the non-earmarked reserve. This represents an improvement of £5,527k
 - The Council's Non-Earmarked General Fund reserve has therefore increased by £2,027k resulting in a balance of £10,670k as at 31 March 2021 (4.5% of the annual budgeted net revenue expenditure). This is slightly above the Council's most prudent

target level of 4%, however it is anticipated that the balance will reduce by a further £3,750k during the current year in line with approved levels.

- The Council's General Fund reserve balances as at 31 March 2021 total £47,264k. This is an increase of £15,803k from last year and is mainly due to unspent Covid-19 related grants, largely received towards the end of the financial year. These grants will be utilised in the current financial year to meet covid-19 pressures.
- Capital Expenditure of £35,084k was invested.
- There has been an operating deficit of £95k on the Housing Revenue Account, this decreasing the accumulated surplus balance to carry forward to £2,221k.

DRAFT ANNUAL AUDIT REPORT AND RELATED ISA 260 REPORT

5. A copy of the draft Annual Audit Report, which provides an overview of the main issues arising from the 2020/21 Audit of the Council, has been prepared along with the associated ISA 260 report to those charged with governance. The Committee is invited to consider the documents. The External Auditors will be attending the Audit and Scrutiny Committee meeting to speak to and discuss these. The finalised Annual Audit Report will be circulated to members in due course.

RECOMMENDATION

6. The Committee is invited to: -
- Consider the draft 2020/21 Annual Audit Report to the Council and the Controller of Audit and related ISA 260 report;
 - Note and comment on the content of the Council's Annual Accounts for 2020/21; and
 - Remit the report to Council for consideration.

REPORT AUTHOR

Head of Accountancy - Margaret McCrossan
Chief Accountant - Barbara Clark Tel 0141 577 3068
E-mail. Barbara.Clark@EastRenfrewshire.gov.uk
Report Date - 28 October 2021

BACKGROUND PAPERS

This report refers to the Council's Annual Accounts for 2020/21 and the External Auditor's Annual report to the Council and the Controller of Audit for 2020/21.

Audit and Scrutiny Committee

25 November 2021

East Renfrewshire Council Audit of 2020/21 annual accounts

Independent auditor's report

1. Our audit work on the 2020/21 annual accounts is now substantially complete. Subject to the satisfactory conclusion of the outstanding matters referred to later in this letter and receipt of a revised set of annual accounts for final review, we anticipate being able to issue unqualified audit opinions in the independent auditor's report on 25 November 2021 (the proposed report is attached at [Appendix A](#)).

Annual audit report

2. Under International Standards on Auditing in the UK, we report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We present for the Audit and Scrutiny Committee's consideration our draft annual report on the 2020/21 audit. The section headed "Significant findings from the audit in accordance with ISA 260" sets out the issues identified in respect of the annual accounts.

3. The report also sets out conclusions from our consideration of the four audit dimensions that frame the wider scope of public audit as set out in the Code of Audit Practice.

4. This report will be issued in final form after the annual accounts have been certified.

Unadjusted misstatements

5. We also report to those charged with governance all unadjusted misstatements which we have identified during our audit, other than those of a trivial nature and request that these misstatements be corrected.

6. We have no unadjusted misstatements to be corrected.

Fraud, subsequent events and compliance with laws and regulations

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

Representations from Section 95 Officer

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

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

Outstanding matters

10. There are some areas where we still require additional information, and these are identified below:

- Documentation to support the figure of £996,952.76 for the environmental improvement grant, reference 0000003837 – CAP SEPA fund (white cart).

Appendix A: Proposed Independent Auditor's Report

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

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of East Renfrewshire Council and its group for the year ended 31 March 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statements, Movement in Reserves Statements, Balance Sheets, and Cash Flow Statements, the council-only Housing Revenue Account, National Non Domestic Rates Account, Council Tax Income Account, the Common Good Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the 2020/21 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the council and its group as at 31 March 2021 and of the income and expenditure of the council and its group for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2020/21 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 7 January 2019. The period of total uninterrupted appointment is three years. I am independent of the council and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the council. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my judgements thereon.

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

As explained more fully in the Statement of Responsibilities, the Head of Accountancy (Chief Financial Officer) is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Head of Accountancy (Chief Financial Officer) determines

is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the council is complying with that framework;
- identifying which laws and regulations are significant in the context of the council;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the council's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

I have audited the part of the Remuneration Report described as audited. In my opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Statutory other information

The Head of Accountancy (Chief Financial Officer) is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

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

My opinion on the financial statements does not cover the statutory other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

John Cornett, FCPFA

Audit Director
Audit Scotland
4th Floor, 8 Nelson Mandela Place
Glasgow, G2 1BT
25 November 2021

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Appendix B: Letter of Representation (ISA 580)

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

Dear John

East Renfrewshire Council Annual Accounts 2020/21

1. This representation letter is provided about your audit of the annual accounts of East Renfrewshire Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.

2. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Chief Executive and Corporate Management Team, the following representations given to you in connection with your audit of East Renfrewshire Council's annual accounts for the year ended 31 March 2021.

General

3. East Renfrewshire Council and I have fulfilled our statutory responsibilities for the preparation of the 2020/21 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by East Renfrewshire Council have been recorded in the accounting records and are properly reflected in the financial statements.

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

Financial Reporting Framework

5. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (2020/21 accounting code), and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.

6. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of East Renfrewshire Council and its Group at 31 March 2021 and the transactions for 2020/21.

Accounting Policies & Estimates

7. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2020/21 accounting code where applicable. Where the code does not specifically apply I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to East Renfrewshire Council's circumstances and have been consistently applied.

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

Principal and Agency

9. I have assessed all funding in relation to covid-19 and determined the nature of the funding. The annual accounts reflect all principal transactions as required.

Going Concern Basis of Accounting

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

Assets

11. Where a rolling programme of asset valuations has been used, I have satisfied myself that the carrying amount of assets at 31 March 2021 does not differ materially from that which would be determined if a revaluation had been carried out at that date.

12. I carried out an assessment at 31 March 2021 as to whether there is any indication that an asset may be impaired and have recognised any impairment losses identified.

13. I have provided you with all information of which I am aware regarding any valuation exercises carried out after 31 March 2021.

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

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

Liabilities

16. All liabilities at 31 March 2021 of which I am aware have been recognised in the annual accounts.

17. Provisions have been recognised in the financial statements for all liabilities of uncertain timing or amount at 31 March 2021 of which I am aware where the conditions specified in the 2020/21 accounting code have been met. The amount recognised as a provision is the best estimate of the expenditure likely to be required to settle the obligation at 31 March 2021.

Where the effect of the time value of money is material, the amount of the provision has been discounted to the present value of the expected payments.

18. Provisions recognised in previous years have been reviewed and adjusted, where appropriate, to reflect the best estimate at 31 March 2021 or to reflect material changes in the assumptions underlying the calculations of the cash flows.

19. The accrual recognised in the financial statements for holiday untaken by 31 March 2021 has been estimated on a reasonable basis.

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

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

Contingent liabilities

22. There are no significant contingent liabilities, other than those disclosed in Note 40 to the financial statements, arising either under formal agreement or through formal undertakings requiring disclosure in the accounts. All known contingent liabilities have been fully and properly disclosed, including any outstanding legal claims which have not been provided under the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and IAS 37.

23. With specific reference to equal pay claims I can confirm that it is not possible to quantify the contingent liability.

Fraud

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

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

Laws and Regulations

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

Related Party Transactions

26. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2020/21 accounting code. I have made available to you the identity of all East Renfrewshire Council's related parties and all the related party relationships and transactions of which I am aware.

Remuneration Report

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

Management commentary

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

Corporate Governance

29. I confirm that East Renfrewshire Council has undertaken a review of the system of internal control during 2020/21 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.

30. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2021, which require to be reflected.

Group Accounts

31. I have identified all the other entities in which East Renfrewshire Council has a material interest and have classified and accounted for them in accordance with the 2020/21 accounting code. Any significant issues with the financial statements of group entities, including any qualified audit opinions, have been advised to you.

Events Subsequent to the Date of the Balance Sheet

32. All events subsequent to 31 March 2021 for which the 2020/21 accounting code requires adjustment or disclosure have been adjusted or disclosed.

33. This letter was considered by the Audit and Scrutiny Committee at the meeting held on 25 November 2021.

Yours sincerely

Margaret McCrossan

Head of Accountancy (Chief Finance Officer)

East Renfrewshire Council

2020/21 Annual Audit Report – DRAFT



 AUDIT SCOTLAND

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

25 November 2021

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Key messages

2020/21 annual accounts

- 1 Our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2020/21 Financial Statements present a true and fair view of the financial activities of the Council and its Group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.
- 2 Covid-19 created additional challenges for both Council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines. These revised deadlines have been achieved.

Financial management and sustainability

- 3 The Council has appropriate and effective financial management. An underspend against budget was reported in 2020/21 after a decision to restrict non-essential expenditure in-year to ensure appropriate funds were available to cover the financial pressures arising from Covid-19. Covid-19 pressures were met through Scottish Government funding.
- 4 The council's general fund balance increased significantly during the year. At 31 March 2021, the non-earmarked balance of £11.670 million of reserves is 4.5% of the annual budgeted net revenue expenditure. This is above the Council's target of 4%.
- 5 Medium-term financial plans are aligned to the Council's corporate priorities and demonstrate future financial challenges and the associated impact.
- 6 The financial consequences of Covid-19 are continuing to emerge. The Council will need to continue to refine the medium-term financial plan as more clarity on the impacts of Covid-19 become evident and to ensure the financial impacts of the Modern Ambitious Programme are fully reflected.
- 7 Systems of internal control operated effectively in 2020/21 with some scope for improvement noted.

Governance and transparency

- 8 The Council has appropriate governance arrangements in place and emergency arrangements implemented at the start of the pandemic were appropriate.

- 9 The Council demonstrates its commitment to conducting its business in an open and transparent manner through the recording of committee meetings and availability of information through the Council website.

Best Value

- 10 The Council has an appropriate and effective best value framework in place.
- 11 Follow up work around best value findings from prior years including equality training, accommodation strategy and transformation projects has progressed.
- 12 The Council continue to perform strongly in comparison to other Councils. However, service performance levels in 2020/21 were impacted by Covid-19. Work is now underway to re-establish performance baselines for 2021/22 onwards.

Introduction

1. This report summarises the findings arising from the 2020/21 audit of East Renfrewshire Council (the Council) and its group.
2. The scope of the audit was set out in our 2020/21 Annual Audit Plan presented to the 29 April 2021 meeting of the Audit and Scrutiny Committee. This report comprises the findings from:
 - an audit of the annual accounts
 - consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) namely, financial management, financial sustainability, governance and transparency and value for money.
3. The main elements of our audit work in 2020/21 have been:
 - an audit of the annual accounts of the Council and its group including the statement of accounts of the seven section 106 charities administered by the Council and the issue of independent auditor's reports setting out our opinions
 - a review of the Council's key financial systems
 - audit work covering the Council's arrangements for securing best value relating to the follow up of points arising from the Council's BVAR. Our work included a review of progress in equality training, accommodation strategy and the transformation programme
 - consideration of the four audit dimensions.
4. The global coronavirus pandemic has had a considerable impact on East Renfrewshire Council during 2020/21. This has had significant implications for the services it delivers. Risks related to the pandemic were included in our annual audit plan, and we have adapted our planned work to address any new emerging risks.

Adding value through the audit

5. We add value to the Council through the audit by:
 - regularly meeting with management to discuss current issues and share knowledge and insights from the wider public sector
 - identifying and providing insight on significant risks, and making clear and relevant recommendations

- sharing intelligence and good practice through our national reports ([Appendix 3](#)) and good practice guides
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Responsibilities and reporting

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

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

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

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

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

10. Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice 2016](#) and supplementary guidance.

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

12. Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and the steps being taken to implement them.

Auditor Independence

13. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must comply with professional standards issued by the Financial Reporting Council and those of the professional accountancy bodies. We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2020/21 audit fee of £237,580 as set out in our Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

14. This report is addressed to both the Council and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk in due course. We would like to thank the management and staff who have been involved in our work for their cooperation and assistance during the audit.

1. Audit of 2020/21 annual accounts

The principal means of accounting for the stewardship of resources and performance

Main judgements

Our audit opinions on the annual accounts of the Council and its group are unqualified and unmodified and confirm that the 2020/21 Financial Statements present a true and fair view of the financial activities of the Council and its Group. Similarly, our audit opinion on the section 106 charities administered by the Council is also unqualified and unmodified.

Covid-19 created additional challenges for both Council and audit staff, with key dates in the financial reporting process updated to reflect the revised statutory deadlines. These revised deadlines have been achieved.

Our audit opinions on the annual accounts are unmodified

15. The accounts for the Council and its group for the year ended 31 March 2021 were approved by the Audit and Scrutiny Committee on 25 November 2021. As reported in the independent auditor's report:

- the financial statements give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the Council and its group as at 31 March 2021 and of the income and expenditure of the Council and its group for the year then ended
- the audited part of the remuneration report, management commentary and the annual governance statement were all consistent with the financial statements and properly prepared in accordance with the relevant regulations and guidance.

The annual accounts were signed off in line with the timescales permitted to reflect Covid-19

16. As a result of the continuing impact of Covid-19 the submission deadlines for Local Government audited annual accounts and annual audit reports have been set at 30 November 2021.

17. Remote working continues to bring additional challenges to the audit process. This affected how we were able to work as an audit team and with Council staff. Our planned audit work has adapted to new emerging risks as

they relate to the audit of the financial statements and the wider dimensions of audit.

18. The unaudited annual accounts and supporting working paper package were received in line with our agreed audit timetable on 24 June 2021. Finance staff provided good support to the audit team and all working papers were provided electronically. Working arrangements with officers continue to be reviewed to deliver an efficient and effective audit that meets our quality standards. Despite these challenges we were able to deliver the audit in line with the revised statutory deadline.

Our audit opinions on Section 106 charities were unmodified

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

20. We noted that there are two charitable trusts that did not disburse any funds in 2020/21 or on the preceding six years - The Lieutenants Duff Memorial Institute and The Endowment for Talented Children and Young People.

21. The Lieutenants Duff Memorial Institute was set up for the provision of a building to house the Busby School District library and fund repairs to the building as required. There have been discussions around planned expenditure from this trust fund, however, progress has been delayed due to the impact of Covid-19.

22. The Endowment for Talented Children and Young People was established for the benefit of exceptionally talented children and young people in the fields of the arts, culture and sport who have attended an East Renfrewshire Council school. There are limited funds within this charitable trust and the Council are investigating whether the principal funds can be authorised for spend prior to any decisions being taken around the future use of this fund.

23. Our audit opinions on the Section 106 charities are unmodified and confirm that the 2020/21 financial statements present a true and fair view of the financial activities of the Section 106 charities.

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

- the financial statements give a true and fair view of the section 106 charity's financial position and are properly prepared in accordance with charities legislation
- the trustees' annual report is consistent with the financial statements and prepared in accordance with proper accounting practices.

25. These were approved by the Council on 25 November and signed by the statutory deadline of 30 November.

There were no objections raised to the annual accounts

26. The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on its website that includes details of the period for inspecting and objecting to the accounts. This must remain on the website throughout the inspection period. The Council complied with the regulations. There were no objections to the 2020/21 accounts.

Work on the assurance statement for the Whole of Government Accounts has been delayed

27. Whole of Government Accounts (WGA) is the consolidated financial statements for all components of government in the UK. Most public bodies are required to submit returns for the preparation of WGA. The returns are consolidated into WGA by HM Treasury. WGA is audited at a UK level by the National Audit Office (NAO), who issue Group Audit Instructions.

28. Appointed auditors in Scotland are required by the Code of Audit Practice, as part of their audit appointment, to examine and report on WGA returns prepared by Scottish audited bodies. Auditors are required to report the results of their examination in an Assurance Statement. The examination and reporting process performed by auditors is therefore described as auditor assurance.

29. The National Audit Office has advised that due to the late completion of the 2019/20 Whole of Government Accounts (WGA) for all bodies, the process for 2020/21 is running late. HM Treasury has advised that the OSCAR system will not be open for 2020/21 submissions before December 2021. The 2020/21 WGA component data will therefore not be available for auditors to review until after that. Group Audit Instructions from the NAO and the timetable for 2020/21 will follow any changes the Treasury make to the Data Collection Tool (DCT) and process.

30. We will work with the Council to progress the audit of the 2020/21 return when the issues at a UK level are resolved.

Overall materiality is £3.7 million

31. We apply the concept of materiality in both planning and performing the audit and in evaluating the effect of identified misstatement on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. We identify a benchmark on which to base overall materiality, such as gross expenditure, and apply what we judge to be the most appropriate percentage level for calculating materiality values.

32. The determination of materiality is based on professional judgement and is informed by our understanding of the entity and what users are likely to be most concerned about in the annual accounts. In assessing performance materiality, we have considered factors such as our findings from previous audits, any changes in business processes and the entity's control environment including fraud risks.

33. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. This was reviewed on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

Exhibit 1

Materiality values for the East Renfrewshire Council and its Group

| Materiality level | Council | Group |
|-------------------------|---------------|---------------|
| Overall materiality | £3.7 million | £4.1 million |
| Performance materiality | £2.2 million | £2.5 million |
| Reporting threshold | £180 thousand | £205 thousand |

Source: Audit Scotland Annual Audit Plan 2020/21

Appendix 2 identifies the main risks of material misstatement and our audit work performed to address these

34. [Appendix 2](#) provides our assessment of the risks of material misstatement in the annual accounts and any wider audit dimension risks. These risks influence our overall audit strategy, the allocation of staff resources to the audit and indicate how the efforts of the team were directed. The appendix identifies the work we undertook to address these risks and our conclusions from this work.

Significant findings to report on the annual accounts

35. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance, including our view about the qualitative aspects of the body's accounting practices.

36. Where we have identified misstatements in the accounts, we have concluded that they arose from issues that have been isolated and identified in their entirety and do not indicate further systemic error. It is our responsibility to request that all misstatements, other than those below the reporting threshold are corrected, although the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

37. Our audit identified four significant adjustments which cumulatively exceeded our materiality level of £3.7 million. In addition, our audit identified a prior year re-classification within expenditure totalling £2.253 million and two non-significant adjustments which were significantly below our materiality level. The overall impact of these adjustments on the annual accounts was an increase in the total comprehensive income and expenditure and a corresponding reduction in total reserves of £0.085 million. Management have

agreed to correct all misstatements and there are no uncorrected errors arising from our audit.

38. [Exhibit 2](#) below summarises the significant findings from our audit split between those that required adjustments to the accounts and those which are non-adjusting. The non-significant adjustments are detailed after [Exhibit 2](#) in paragraph 39.

Exhibit 2

Significant findings from the audit of the financial statements

| Issue | Resolution |
|--|--|
| Non-Adjusting Finding | |
| <p>1. Valuer Report</p> <p>The non-current asset valuation within the annual accounts is supported by workings from the valuer. The valuation documentation could be further enhanced to support the disclosures in the accounts and the annual audit process through the preparation of an annual valuation report outlining</p> <ul style="list-style-type: none"> • the assets revalued in year • the methodology applied to the exercise • the total valuation amount reflected within the annual accounts and • details of compliance with industry standards. | <p>We recommend that a valuation report is prepared by the Council’s valuer on an annual basis outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.</p> <p>Recommendation 1</p> <p>(see below and refer Appendix 1, action plan point 1)</p> |
| <p>2. Governance Statement</p> <p>The annual governance statement forms an integral part of the annual accounts. Responsibility for the preparation of the annual governance statement changed this year and our review of the unaudited statement noted a number of refinements required to ensure that:</p> <ul style="list-style-type: none"> • a governance focus was maintained • information provided by Council directors through their completed assurance statements was fully reflected • the statement reflected the changes to the internal audit plan during the year | <p>Review and refine the project plan for the delivery of the unaudited Annual Governance Statement to ensure the statement is delivered within agreed timescales and to the appropriate standard.</p> <p>Directors should ensure that their assurance statements are completed comprehensively, within the required timeframe and to appropriate quality standards for review and consideration prior to the drafting of the governance statement.</p> <p>Recommendations 2 and 3</p> <p>(see below and refer Appendix 1, action plan point 2)</p> |

| Issue | Resolution |
|--|--|
| <ul style="list-style-type: none"> updates were provided for actions not progressed. <p>Furthermore, the assurance statements provided by directors to support the annual governance statement contained varying levels of detail.</p> | |
| Adjusting Finding | |
| <p>3. Capitalisation of staff costs</p> <p>Directly attributable staff costs are part of the cost of a capital asset and should not be reflected within the total staff costs within the Comprehensive Income and Expenditure Statement. From discussions with officers, we noted that all staff costs, whether capital or revenue in nature, are included within the Comprehensive Income and Expenditure Statement (CIES). The CIES is a revenue statement and should not include capital costs.</p> <p>The Council are able to identify the capital costs and whilst the current arrangements in place are reasonable for internal reporting, to ensure compliance with the Code of Practice on Local Authority accounting the capitalised staff costs need to be removed from the revenue account. The Council should incorporate a process to re-allocate capitalised costs for the purposes of the annual accounts.</p> | <p>The financial statements have been adjusted to account for the capitalisation of staff costs. This adjustment resulted in £2.323 million of staff costs being removed from revenue staff costs and recognised within the accounts as capital costs.</p> <p>Recommendation 4 (see below and refer Appendix 1, action plan)</p> |
| <p>4. Personal Protective Equipment</p> <p>East Renfrewshire Council received £0.912 million of personal protective equipment (PPE) from Scottish Government via National Services Scotland during the pandemic to support front line services.</p> <p>The Council are unable to account for how the PPE was used but it appears that this was distributed to local businesses due to a lack of storage capacity within the Council. Therefore, this should be included as an agency disclosure within the annual accounts.</p> | <p>The PPE of £0.912 million has been included within the agency note within the financial statements.</p> <p>Learn the lessons from the PPE experience to review and assess stock control/distribution processes and transparency of decision making with a view to improving control over provision of equipment and avoiding duplicate purchasing.</p> <p>Recommendation 5 (see below and refer Appendix 1, action plan)</p> |

| Issue | Resolution |
|---|--|
| <p>The Council procured its own PPE at a cost of £1.05 million during 2020/21. Furthermore, it is not clear at what level the decision to distribute the PPE to local businesses was taken.</p> | |
| <p>5. Misclassification of asset as asset under construction</p> <p>As part of our work on non-current assets we review a sample of assets categorised as assets under construction. These are assets that are still under construction and are not yet operational and as such are not subject to depreciation charges.</p> <p>We identified that within assets under construction there was £3.753 million relating to Balgraystone Road which became operational during 2020/21.</p> <p>The Council agreed to move the asset from assets under construction to infrastructure assets.</p> | <p>This was corrected within the audited accounts.</p> |
| <p>6. Miscoded receivables from related parties</p> <p>As part of the audit, we queried variances in short term debtors and creditors. There were a number of mis-postings between accounts including:</p> <ul style="list-style-type: none"> • miscoding of £4.401 million of receivables from related parties in short term creditors which included a miscoding of prepayments of £0.398 million relating to DWP housing benefit • miscoding of ICT prepayments and CCS prepayments totalling £1.468 million within short term creditors. <p>The impact of these coding errors resulted in an increase of receivables to related parties by £4.401 million and decreases in short term creditors for prepayments of £4.401 million which included the £0.398 million noted above.</p> <p>An increase in prepayments of £1.468 million and a corresponding decrease in short term creditors.</p> | <p>This was corrected within the audited accounts.</p> |

Source: Audit Scotland

Recommendation 1

The Council's valuer prepares a valuation report on an annual basis outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.

Recommendation 2

Review and refine the project plan for the delivery of the unaudited Annual Governance Statement to ensure the statement is delivered within agreed timescales and to the appropriate standard.

Recommendation 3

Directors should ensure that their assurance statements and certificate are completed comprehensively, within the required timeframe and to appropriate quality standards for review and consideration prior to the drafting of the governance statement.

Recommendation 4

Develop a process to support year-end reporting requirements for the allocation and recognition of capitalised staff costs within the financial statements

Recommendation 5

Learn the lessons from the PPE experience to review and assess stock control/distribution processes and transparency of decision making with a view to improving control over provision of equipment and avoiding duplicate purchasing.

39. In addition to the significant adjustments detailed in [Exhibit 2](#) our audit also identified two non-significant adjustments to the accounts. The first, relates specifically to the Housing Revenue Account whereby the Council had removed £408k from HRA rental income due to an identified error with income received from DWP in relation to universal credit. This was included within the accounts as a creditor, however, following discussions between audit and finance officers, this has been disclosed as a provision instead of a creditor. This results on a nil impact within the balance sheet. The second relates to a re-classification of £0.288 million of funding due to updated LASAAC guidance issued after the preparation of the annual accounts.

Progress was made on prior year recommendations

40. The Council has made progress on our prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

2. Financial management

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

Main judgements

The Council has appropriate and effective financial management. An underspend against budget was reported in 2020/21 after a decision to restrict non-essential expenditure in-year to ensure appropriate funds were available to cover the financial pressures arising from Covid-19. Covid-19 pressures were met through Scottish Government funding.

The Council's general fund balance increased significantly during the year. At 31 March 2021, the non-earmarked balance of £11.670 million of reserves is 4.5% of the annual budgeted net revenue expenditure. This is above the Council's target of 4%.

Systems of internal control operated effectively in 2020/21 with some scope for improvement noted.

The Council reported a surplus but the Covid-19 pandemic had a significant impact on the 2020/21 financial year

41. The impact on public finances of the Covid 19 pandemic has been unprecedented, which has necessitated both the Scottish and UK governments providing substantial additional funding for public services as well as support for individuals, businesses and the economy. It is likely that further financial measures will be needed and that the effects will be felt well into the future.

42. The Covid-19 pandemic had a significant impact on East Renfrewshire Council's 2020/21 budget, and all Council services generally. It has also impacted on the Council's ability to deliver objectives and brought new work streams to the Council as it works to find a 'new normal'.

43. The Council approved its 2020/21 budget in February 2020 together with its financial planning 2020-2026 report. The budget was set at £251.882 million with savings required totalling £18.059 million.

44. There were additional cost pressures as a result of Covid-19. These include additional costs such as personal protective equipment, lost Council income and additional staff costs to address the pandemic. This resulted in pressures of £14.4 million which were fully funded by the Scottish Government.

45. By the end of the year total approved budgeted expenditure, including additional funding, was £259.990 million. There was an overall surplus of £15.8 million at the end of March 2021. This relates mainly to an increase in unspent grants as the Council ceased all non-essential spend during the year. Full grant funding for 2020/21 Covid-19 pressures was confirmed towards the end of the financial year. Therefore, an element of grant funding will be carried forward to assist with Covid-19 pressures in 2021/22.

46. In addition, the Council administered the distribution of £20.2 million of Covid-19 grants to local businesses and residents during 2020/21. These included business support grants, hardship payments, the transitional support scheme, temporary restriction funds and self-isolation support. There was an agency arrangement between the Council and the Scottish Government in the administration of these grants.

The Council underspent against their planned outturn position and General Fund reserves significantly increased

47. One of the key measures of the financial health of an organisation is the level of reserves held. The level of usable reserves held by the Council was relatively stable between 2018/19 and 2019/20 with a slight increase of £0.5 million to £44.2 million. However, the usable reserve position has increased to £60.3 million at 31 March 2021.

48. [Exhibit 3](#) shows reserve movements and year end balances for 2020/21 to illustrate where the most significant reserve movements are attributed.

Exhibit 3

Movements in useable reserves in 2020/21

| | Opening £m | Used £m | Added £m | Closing £m |
|---|-----------------|---------------|-----------------|-----------------|
| General Fund (Non-earmarked) | (9.643) | 16.165 | (18.192) | (11.670) |
| General Fund (Earmarked) | (31.461) | 26.289 | (42.092) | (47.264) |
| Housing Revenue Account | (2.316) | 95 | - | (2.221) |
| Capital Reserve | (2.656) | - | (12) | (2.668) |
| Capital Grants and Receipts Unapplied Account | - | - | (1.920) | (1.920) |
| Repairs and Renewal Fund | (5.829) | 2.011 | (0.418) | (4.236) |
| Insurance Fund | (1.960) | - | (9) | (1.969) |
| Total | (44.222) | 28.395 | (44.451) | (60.278) |

Source: Audited Accounts 2020/21

49. Increases were noted in both the earmarked and non-earmarked general fund reserves during the year. Budget monitoring reports throughout the year outlined uncertainties around the level of Covid funding that may be received. Action was taken to avoid all non-essential expenditure and maintain directorate expenditure within budget. The control of in-year expenditure contributed to £2.027 million and accounts for the total increase in the non-earmarked general fund reserve. Covid funding awarded to the Council in 2020/21 covered Covid pressures in-year and £12.815 million of unspent Covid grants have been earmarked within the general fund as 'unspent Covid grants and will be carried forward to address pressures in 2021/22. Due to the additional Covid funding and the controlled in-year expenditure, the budgeted drawdown on reserves of £3.5 million was not required.

50. The general fund reserve is the largest reserve, with a balance of £47.264 million. Although the general fund reserve has no restrictions on its use, £35.594 million has been ring-fenced for future expenditure plans including £12.815 million specifically for Covid-19 recovery which arose due to additional funding from Scottish Government.

51. The Council's reserve strategy considers the level of non-earmarked general fund reserves as a percentage of the annual budgeted net revenue expenditure. At 31 March 2021, the balance of £11.670 million of reserves is 4.5% of the annual budgeted net revenue expenditure. This is broadly in-line with the Council's target of 4%.

52. In previous audit reports we have recommended improvements to budgeting and forecast reporting arrangements within the Council due to consistent underspends against budget. An underspend was achieved in 2020/21 and planned utilisation of reserves was not required due to the impact of Covid-19 and decisions made to constrain expenditure levels. This was reported through budget monitoring arrangements.

Recommendation 6

Continue to assess the adequacy of reserve levels as part of the financial strategy review; and ensure that members are provided with adequate information to make choices around the utilisation of all monies including previously unused balances.

Capital expenditure reduced in 2020/21 as the Council paused and deferred some capital investment projects due to the impact of Covid-19

53. General fund and housing capital expenditure were approved by the Council as part of the budget setting process in February 2020. These outlined capital budgets of £43.093 million and £17.589 million for the general fund and housing respectively.

54. The impact of Covid-19 had a significant effect on the timing and cost of projects due to market forces, inflation and new ways of working. In November 2020 Cabinet approved changes to the capital plans to defer work into 2021/22

and to reflect movements in timings and cost variations. Despite the challenges encountered the Council delivered capital projects within the education estate to support the Council's expansion of early years' facilities across five sites.

Eastwood Leisure Centre and Eastwood Park Masterplan

55. The Council identified the requirement for a new leisure facility in 2017/18. There have been several reports to Council outlining plans and costings. A briefing and feasibility report has been presented to members and includes images of what the facility will look like and provides details of site considerations, initial project brief, feasibility, sustainable aspirations, planning considerations and procurement.

56. The Council have a strong vision for the project and a consultancy firm has been appointed to manage the project. The build work is planned to commence next year, subject to the resolution of uncertainties around supply issues, the cost and availability of materials as well as ongoing discussions with contractors. The overall development cost is estimated to be £55 million. This projection includes professional and planning fees, construction and fit out of the sport and leisure centre and theatre, contract inflation, contingencies, site clearance and associated external works.

Land and building valuations

57. To ensure the accuracy of land and property valuations within the annual accounts, management obtain expert advice from appropriately qualified staff within the Council's estates team in the environmental department.

58. The Council revalue elements of its fixed assets over a 5-year rolling programme. This can lead to significant movements in value, particularly if a large class of asset is due for revaluation in a particular year. Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year, with all assets still being revalued once over a 5-year period. This would reduce the likelihood of uneven valuation movements arising from a specific class of assets due for revaluation in a given year.

Recommendation 7

Consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year.

Housing revenue account reported a small deficit in year

59. The Council is required by legislation to maintain a separate housing revenue account (HRA) and to ensure that rents are set a level which will at least cover the costs of its social housing provision.

60. Income and expenditure reported in the HRA was in line with the budget with a small deficit recorded in year of £0.095 million. This has decreased the HRA reserve to £2.221 million.

Financial systems of internal control operated effectively

61. Our management letter presented to the Audit and Scrutiny Committee on 23 September 2021 summarised our findings from the review of systems of internal controls. Whilst our audit testing did not identify any significant control weaknesses. We did identify and report some less significant issues.

62. The Council introduced new systems during the year. The new payroll/HR system iTrent replaced resourcelink in November 2020. The Orbis benefits/council tax system was replaced by the NPS system in December 2020. Our testing was undertaken across the systems in place at the start of the year and also the new systems introduced during the year to ensure appropriate coverage of the controls in operation across the full financial year.

63. We recognise the challenges around system implementation and note that during this period Council employees continued to work remotely. Additional workload has arisen during the year for the benefits/council tax teams around the increased level of council tax reduction and self-isolation grants. We noted several areas for improvement around the new systems. In response to these findings, additional controls and substantive testing was undertaken by the audit team to gain the required assurances for the financial statements audit. We concluded that appropriate and effective internal controls were in place for those key financial systems reviewed by us.

Internal audit

64. Each year we consider whether we can rely on internal audit work to avoid duplication of work. We reviewed the Council's internal audit arrangements in accordance with International Standard on Auditing (UK) 610 (Using the Work of Internal Auditors) to determine the extent we could rely on the work of internal audit. We have taken cognisance of the work of internal audit and have used their work as appropriate in the areas of:

- Creditor payments
- Debtor control
- Cash income and banking
- Council tax review of the transfer of data to the new NPS system.

65. The Council's internal audit function regularly reported progress to the Audit and Scrutiny Committee throughout the year. The reports outlined capacity and resourcing challenges and difficulties in auditing remotely. This led to the approved internal audit plan of 733 days being reviewed and refined in August 2020 and then further in February 2021. This resulted in the planned internal audit days reducing to 349 days. Internal audit completed all revised planned audits.

Arrangements for the prevention and detection of fraud and error were appropriate

66. The Council is responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption. Furthermore, it is responsible for ensuring that its affairs are managed in accordance with proper standards of conduct by putting effective arrangements in place.

67. The risk profile of public bodies during 2020/21 has been significantly affected by the Covid-19 pandemic. This is likely to have increased the risk of fraud and error as control environments and internal controls have had to change to allow for services to operate effectively and respond to issues in a timely manner. We have concluded that there are appropriate arrangements for the prevention and detection of fraud, error and irregularities.

3. Financial sustainability

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

Main judgements

Medium-term financial plans are aligned to the Council's corporate priorities and demonstrate future financial challenges and the associated impact.

The financial consequences of Covid-19 are continuing to emerge. The Council will need to continue to refine the medium-term financial plan as more clarity on the impacts of Covid-19 become evident and to ensure the financial impacts of the Modern Ambitious Programme are fully reflected.

The financial impact of the Covid19 pandemic will be significant

68. The financial impact of the pandemic on the Council is likely to extend across several years and could include a reduction in income from business rates and council tax non-payments as well as a reduction in fees and charges from, for example, leisure services. Bodies may also face increased costs such as higher staff costs to cover the delivery of services.

69. Financial management across the Council has remained strong, with budget monitoring reports outlining the related costs and income losses from core operating costs due to the impact of Covid-19.

70. The 2021/22 revenue budget was approved by Council on 15 March 2021. The budget outlined departmental non-Covid spending plans of £258.343 million, including contributions to the Integration Joint Board and East Renfrewshire Culture and Leisure Trust. The Council plan to drawdown reserves during the year of £3.465 million. Savings requirements of £3.5 million across Council directorates have been set and sufficient savings options to address this gap have been identified.

Medium and longer-term financial plans are in place and have been updated to reflect the impact of the pandemic

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

72. The Council adopted a multi-year budget approach in March 2018 when the 2018/19 budget and indicative budgets for 2019/20 and 2020/21 were approved. The Council planned to continue with a three-year budget cycle for 2021/22 to 2023/24, however, due to the impact of Covid-19, the Council settlement figures for 2021/22 were not known until March 2021. As a consequence, the Council were unable to prepare a three-year budget including the associated savings proposals and therefore a one-year budget for 2021/22 was compiled. The Council intend to re-introduce three-year budget cycles once more certainty is available around future budget settlements.

73. To support a long-term financial approach the Council have retained departmental modelling of their financial position. This approach assists with the Outcome Delivery Plan and covers the three-year period from 2021/22.

74. As part of the annual budget setting process, the Council present their long-term financial plan, covering the period 2021/22 to 2026/27. The plan details a range of funding scenarios and provides context on future economic and demographic trends. The long-term plan reflects changing demands on the Council's budget through legislative changes and government priorities. It also provides commentary on wider political, societal and economic changes including Covid-19, the independent review of adult social care and the UK's withdrawal from the European Union.

75. Due to the additional challenges presented by the Covid-19 pandemic and the medium to longer term impact this may have on planned public sector spending across the UK and Scotland, the Council's existing financial outlook plan is subject to significantly greater uncertainty.

76. It is likely that further decisions and announcements by the UK and Scottish Governments will impact and influence the Council's financial outlook in the short, medium and longer term.

Recommendation 8

Develop a revised financial strategy incorporating revised approaches to service delivery and new ways of working to ensure the total balances available are used to support the financial sustainability of the Council over the medium term. To address the financial challenge the Council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.

4. Governance and transparency

The effectiveness of scrutiny and oversight and transparent reporting of information

Main Judgements

The Council has appropriate governance arrangements in place and emergency arrangements implemented at the start of the pandemic were appropriate.

The Council demonstrates its commitment to conducting its business in an open and transparent manner through the recording of committee meetings and availability of information through the Council website.

Governance arrangements operating throughout the Covid19 pandemic have been appropriate and operated effectively

77. In response to the Covid-19 pandemic East Renfrewshire Council held an emergency meeting of Full Council on 23 March 2020. An Emergencies Committee was established. Its membership included the Leader and Depute Leader of the Administration and the Leader of the main Opposition Party. Council agreed the following changes to governance arrangements:

- all delegations to committees, with the exception of the Emergencies Committee, were suspended on a temporary basis
- delegated authority was granted to the Chief Executive, all directors and heads of service and the Chief Officer – Legal and Procurement to take operational decisions within their respective areas of operation that would normally require Council/committee approval
- referral to the Emergencies Committee where the proposed decision would be contrary to existing Council policy, or would be seeking an amendment to an existing policy, or for any other reason that would require political approval
- the temporary extension of the delegated authority to be kept under review in order that it may be revoked at the appropriate time.

78. . The May 2020 Council meeting lifted the temporary suspension of delegations to committees and it was agreed that the temporary extension of delegated powers to officers would be withdrawn on 30 June 2020.

79. Committee meetings reconvened following the summer 2020 recess. All meetings continue to be held virtually with recordings available on the Council's website. This has enabled key decisions to continue to be made.

80. Overall East Renfrewshire Council has appropriate governance arrangements in place and emergency arrangements were established promptly at the start of the pandemic.

Audit and Scrutiny Committee

81. Audit committees provide independent assurance to those charged with governance on the adequacy of the risk management framework, the internal control environment and the financial reporting and governance processes.

82. *CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2018* outline how committees can effectively discharge its responsibilities by:

- meeting regularly and having a clear policy around what items are taken in public and private.
- being able to meet privately and separately with the external auditor and with the head of internal audit.
- including, as regular attendees the chief finance officers, chief executive, head of internal audit and the appointed external auditor. These officers should be able to access the committee, or the chair as required.
- having the right to call any other officers as required.
- reporting regularly on its work to those charged with governance, and at least annually reporting an assessment of their performance. An annual public report should demonstrate how the committee has discharged its responsibilities.

83. At the April 2021 meeting of the Audit and Scrutiny Committee it was agreed that the self-assessment review would be completed before the end of the current administration. A meaningful self-review will address the challenge of how effective the committee perceives itself to be in delivering its business and not merely focus on what activities the committee undertakes.

84. There are a variety of tools available to assess effectiveness. To support the development of the new committee, the self-assessment should capture insights which will add value through highlighting areas of good practice and areas where performance may need to improve.

Openness and transparency

85. There continues to be an increasing focus on demonstrating the best use of public money. Openness and transparency in how a body operates and makes decisions is key to supporting understanding and scrutiny. Transparency means

that the public has access to understandable, relevant and timely information about how the body is taking decisions and using resources.

86. The Council's commitment to transparency is evidenced from several sources. Members of the public can attend meetings of the full Council and other boards. Minutes and supporting papers for committee meetings are available on the Council's website. Most items on committee agendas are covered in open session at meetings rather than in private.

87. The Council records its main Council and committee meetings and this is available on the Council's YouTube Channel afterwards. All agenda papers and minutes, including the annual accounts are on the Council's website.

88. The Council's website allows the public to access a wide range of information including the register of members' interests, how to make a complaint and current consultations and surveys including the recent budget consultation on future priorities.

89. The management commentary that accompanies the financial statements clearly explains to readers how the Council has performed against its revenue and capital budgets and how this is reconciled to the financial statements.

90. The Council conducts its business in an open and transparent manner.

5. Best Value

Using resources effectively and continually improving services.

Main judgements

The Council has an appropriate and effective best value framework in place.

Follow up work around best value findings from prior years including equality training, accommodation strategy and transformation projects has progressed.

The Council continue to perform strongly in comparison to other Councils. However, service performance levels in 2020/21 were impacted by Covid-19. Work is underway to re-establish performance baselines for 2021/22 onwards.

The council is making good progress in securing Best Value

91. Best value is assessed over the audit appointment, as part of the annual audit work. In addition, a Best Value Assurance Report (BVAR) for each Council will be considered by the Accounts Commission at least once in this period. The BVAR report for the Council was published in November 2017.

92. The BVAR concluded that the Council has a clear vision and strategic direction which reflects its understanding of the local area and is supported by Councillors, officers and the Council's partners. A framework of strategic priorities underpins this vision.

93. We also highlighted key areas where the Council should focus its improvement activities going forward. The report made five recommendations for further development including:

- councillors having a more transparent and active role in scrutiny
- a more strategic and co-ordinated approach to planning and managing corporate resources and the transformation programme
- identify why revenue budgets are consistently underspent and introducing realistic budgeting policies
- enhanced engagement with communities and partners
- use of a wider variety of option appraisals as part of transformation and service reviews.

94. The Council prepared an action plan to address the recommendations and progress is reported annually to Cabinet. The Council continues to make positive progress in implementing the recommendations from the 2017 Best

Value and Assurance Report. We will continue to monitor the Council's progress against the improvement actions.

Equal opportunities

95. The Equality Act 2010 requires the Council in carrying out its functions to eliminate unlawful discrimination, advance equality of opportunity and foster good relations between people. We followed up prior year recommendations around the employee training on equality as part of our 2020/21 audit.

96. The Council have demonstrated their commitment to equal opportunities through the Corporate Management Team's decision in February 2021 for mandatory training to be introduced on equalities for all staff. Staff and elected members were invited to undertake the e-learning modules from June 2021 and the training will form part of future corporate induction programmes. Uptake of the training will be monitored and reported to the Equality Officer Working Group and the Corporate Management Team.

97. Equally safe is a Scottish Government project to support, strengthen and scale-up Violence Against Women and Girls training at local, regional and national levels. Women's Aid are developing equally safe e-learning training to give public sector staff an understanding of gender equality, sexual violence and domestic abuse. In July 2021, the Council supported the development of an equally safe pilot by inviting a sample of managers within the Council to complete the training.

Transformation

98. An update on the Modern Ambitious Programme (MAP) and the Council's new digital strategy was presented to Cabinet on 3 June 2021. This outlined recent achievements and ongoing areas of work including the pandemic response, digital inclusion and each service department's digital plans.

99. Digitisation has been important in the Council's response to the pandemic. The Council had to reconfigure services to ensure digital inclusion within education; increased contact from residents and businesses online; the launch of the new council website in July 2020 and the use of data sets and dashboards to monitor the impact and management of Covid response measures including the management of isolation support.

100. The Council is currently reviewing its structures and resources for change. A new approach has been established to manage the prioritisation of transformation projects. This has supported the development of a database which details the nature of the project, the expected benefits and the resources required. A prioritisation matrix has been developed to support this process and determine which projects progress.

101. We have previously recommended improvements around the Council's linkage and documentation between transformation projects and the attainment of savings. The Council have developed a savings template which outlines the nature of the savings, for example, efficiency, redesign or cost cutting and have started using Engage Process Modeller. This documents the benefit realisation

from a project and maps the transformation process, including outlining the cost of each phase and the quantification of savings.

Accommodation Strategy

102. The Council were developing their accommodation strategy prior to the Covid-19 pandemic. Work paused as attention turned towards the pandemic response. This has provided an opportunity for the Council to re-assess the direction of travel and to consider a variety of working models including home working, office working and hybrid arrangements.

103. The Council launched a review of how staff work entitled the 'Way we work' to gather information around working patterns and preferences for the future. This will inform the property needs and configurations for the future. Accommodation will be reviewed in relevant groupings for example, offices, learning, leisure and miscellaneous with offices being considered in the first instance. Officers have developed criteria for application against each property to gather information and assess running costs; the carbon footprint; the future needs for the property; investment requirements and how the property is used and managed.

104. The Council plan to develop option appraisals to support the decision-making process at key milestones throughout the project.

Recommendation 9

Develop robust option appraisals to consider all relevant financial, legislative and environmental factors including cost, future need, configurations, investment requirements and carbon footprint to enable informed asset management decisions to be made.

Business Continuity and Disaster Recovery

105. We have previously reported on the need for the Council to ensure disaster recovery and business continuity plans are up to date, realistic and are tested. Due to the impact of Covid-19 many services are operating within a business continuity scenario and utilising their contingency plans. As a result, no whole scale updates to business continuity plans have been requested.

106. The environment department are currently piloting the new Business Impact Assessment process and template which will validate the new approach before it is rolled out across the organisation. It is anticipated that in early 2022, all services will be asked to update their Business Impact Assessment, which will reflect the changes to office working arrangements and take cognisance of a move away from fixed desk working towards a hybrid approach.

Performance management arrangements provide a sound base for improvement

107. The Council has established arrangements in place for measuring and reporting its performance. The Council website contains a range of performance reports, including annual performance reports, strategic performance reports and statutory performance indicator reports.

108. The Outcome Delivery Plan is a rolling three-year plan which is revised annually. This demonstrates how the Council's services will contribute towards the outcome deliveries in the Community Plan and Fairer East Ren.

109. The Annual Strategic Performance report was presented to Council in June 2021. This presents the Council's performance against the Outcome Delivery Plan. This year the report reflected on key areas of the Council's response to supporting residents and communities during the pandemic.

110. The plan contains an update for 38 of the 50 indicators. Council agreed in October 2020 that due to the impact of Covid, targets would not be set for the Outcome Delivery Plan for the year 2020-21 and indicator values would be viewed as establishing baselines for a reset for the period 2021-24.

Statutory performance indicators (SPIs) are being met

111. The Accounts Commission has a statutory responsibility to define the performance information that Councils must publish. In turn, Councils have their own responsibility, under their Best Value duty, to report performance to the public. The commission does not prescribe how Councils should report this information but expects them to provide the public with fair, balanced and engaging performance information.

112. The Accounts Commission issued a revised 2018 Statutory Performance Information Direction in December 2018 which requires a Council to report:

- its performance in improving local public services provided by the Council (on its own and with its partners and communities), and progress against agreed desired outcomes
- its own assessment and independent audit assessments of how it is performing against its duty of Best Value, and how it plans to improve these assessments and how it (with its partners where appropriate) has engaged with and responded to its diverse communities.

113. We have evaluated the Council's arrangements for fulfilling the above requirements and concluded that appropriate arrangements are in place.

The Council were able to maintain service performance levels despite the pandemic

114. The pandemic is expected to have had a substantial impact on performance measures, particularly for services which have been temporarily suspended, are operating at a reduced level or have had to adapt to new ways

of working. The Council have continued to monitor key performance targets throughout the year with annual performance reports being presented to Council. These reports monitor progress against the Council's key priorities.

The Council continues to perform well in comparison to other councils

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

116. The annual update on performance within the Local Government Benchmarking Framework was presented to Cabinet on 3 June 2021. This provided Cabinet and the public with a full assessment of all 97 indicators in the Local Government Benchmarking Framework (LGBF) for 2019/20, highlighting those indicators in the top and bottom quartile, trend data and ranked position over the two years, Scottish average, and the family group range for all indicators.

117. The Council continues to perform well in comparison to other councils with 32 indicators in the top quartile (ranked 1st to 8th), however 18 indicators are in the bottom quartile (ranked 25th to 32nd). Strong performance has been reported in a number of areas including educational attainment of children where the Council has maintained their position as the top performing Council and in environmental services where they were ranked as the best performing Council on percentage of household waste recycled and the percentage of A class roads requiring maintenance.

118. Areas where performance could be improved include the:

- proportion of adults supported at home by Adult and Social Care who agree that they are supported to live as independently as possible; and
- sickness absence levels for local government employees.

119. These represent pre-pandemic data and will provide a benchmark for future years. The 2020/21 data will be published in 2022.

National performance audit reports

120. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2020/21, Audit Scotland published a number of reports which may be of interest to the body. These are outlined in [Appendix 3](#).

121. East Renfrewshire Council have arrangements in place to consider and review national reports. The Audit and Scrutiny Committee considered a number of national reports during the past year including the Local Government in Scotland Financial Overview 2019/20; Digital progress in local government and Improving outcomes for young people through school education. The

committee covering paper outlines key messages and articulates this from an East Renfrewshire Council perspective. The committee agree required actions arising from the report findings.

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Appendix 1

Action plan 2020/21

2020/21 recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|--|--|---|
| <p>1. Valuation Report</p> <p>The valuation documentation provided to support the annual valuation exercise could be further enhanced through the preparation of an annual valuation report outlining:</p> <ul style="list-style-type: none"> • the assets revalued in year • the methodology applied to the exercise • the total valuation amount reflected within the annual accounts and • details of compliance with industry standards. <p>Risk – There is a risk that the documentation to support the valuation exercise lacks detail and results in additional audit work being required to ensure appropriate assurances are obtained to support the valuations within the annual accounts.</p> | <p>The Council's valuer prepares a valuation report on an annual basis outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.</p> <p>Exhibit 2, Point 1</p> | <p>Agreed.</p> <p>Estates Surveyor/Chief Financial Officer</p> <p>31 March 2022</p> |
| <p>2. Annual Governance Statement</p> <p>The Annual Governance Statement provided as part of the unaudited accounts required additional disclosures to be incorporated and further refinement to reflect the activity within the Council.</p> | <p>Review and refine the project plan for the delivery of the unaudited Annual Governance Statement to ensure the statement is delivered within agreed timescales and to the appropriate standard.</p> | <p>Agreed.</p> <p>CEO Business Manager</p> <p>31 March 2022</p> |

Risk – The Annual Governance Statement does not include all relevant disclosures.

[Exhibit 2, Point 2](#)

3. Annual Governance Statement

The Directors' assurance statements varied in terms of the level of detail provided and in some instances we would expect additional narrative to be provided to support the disclosures within the annual governance statement.

Directors should ensure that their assurance statements and certificate are completed comprehensively, within the required timeframe and to appropriate quality standards for review and consideration prior to the drafting of the governance statement.

Agreed.

All directors/CEO Business Manager

30 April 2022

[Exhibit 2, Point 3](#)

Risk – The Accountable Officer is not provided with the required assurances and the governance statement omits a significant issue.

4. Capitalisation of staff costs

Directly attributable staff costs are part of the cost of a capital asset. From discussions with officers we noted that all staff costs are included within the Comprehensive Income and Expenditure Statement. This is a revenue statement and should not include capital costs.

Develop a process to support year-end reporting requirements for the allocation and recognition of capitalised staff costs within the financial statements.

Whilst the Council will continue to follow its internal reporting approach, an adjustment will be made at year end to adjust for capitalised staff costs in the annual accounts.

Chief Accountant

31 May 2022

[Exhibit 2, Point 4](#)

The Council are able to identify the capital costs and whilst the current arrangements in place are reasonable for internal reporting, to ensure compliance with the Code of Practice on Local Authority accounting the capitalised staff costs need to be removed from the revenue account. The Council should incorporate a process to re-allocate capitalised costs for

the purposes of the annual accounts. Narrative on issue

Risk – There is a risk that the income and expenditure shown within the Comprehensive Income and Expenditure Statement is overstated.

5. Personal Protective Equipment

The Council received £912k of personal protective equipment (PPE) from Scottish Government via National Services Scotland during the pandemic to support front line services.

The Council are unable to account for how the PPE was used but it appears that this was distributed to local businesses due to a lack of storage capacity within the Council. The Council procured its own PPE at a cost of £1.05 million during 2020/21. It is not clear at what level the decision to distribute the PPE to local businesses was taken.

Risk – There is a risk that resources were utilised unnecessarily on obtaining PPE stock.

Learn the lessons from the PPE experience to review and assess stock control/distribution processes and transparency of decision making with a view to improving control over provision of equipment and avoiding duplicate purchasing.

[Exhibit 2, Point 5](#)

The Council reviewed its PPE procurement and distribution arrangements in August 2020. Departments now control their own PPE stocks and purchasing in conjunction with Procurement staff. The position will be kept under review in future.

All directors in conjunction with Chief Purchasing Officer
December 2021

6. General Fund

The Council has a history of underspend against budget as previously reported through our annual audit reports. An underspend was reported in 2020/21 through a combination of restrictions placed on non-essential expenditure and the impact of Covid-19 funding received. The general fund reserve position has increased significantly, however, a large

The Council should continue to assess the adequacy of reserve levels as it reviews its financial strategy; and to ensure that members are provided with adequate information to make choices around the utilisation of all monies including previously unused balances.

[Paragraph 52](#)

Agreed. The 2020/21 underspend was a result of planned prudent management action whilst there was uncertainty on the COVID funding to be made available from the Scottish Government. The Council will continue to report on current and forecast reserve levels as a key element of its financial planning.

Chief Financial Officer

proportion of the general fund balance is earmarked with a substantial element of the increase in the 2020/21 reserve position relating to Covid-19 unspent grants.

Risk – There is a risk that the Council are not fully utilising available budget in year to support the delivery of front-line services.

February 2022

7. Land and building valuations

The Council revalue elements of its fixed assets over a 5-year rolling programme, with different classes of asset being revalued each year.

Risk: There is a risk of large valuation movements between each year's annual accounts.

Management should consider a valuation methodology whereby 20 per cent of each class of asset is revalued each year, with all assets still being revalued once over a 5-year period.

[Paragraph 58](#)

Consideration will be given to this, however implementation of the revised methodology is likely to increase demands on limited staff resources. Any significant changes in individual or group property values will continue to be reflected in the annual accounts each year.

Director of Environment
31 March 2022

8. Financial strategy to support financial sustainability

The Council face continuing financial challenges and significant uncertainty.

The Modern Ambitious Programme is continuing to progress and will alter the way the Council works in the future. Alignment of transformation plans and the financial strategy will support decision making around service redesign.

Risk – There is a risk that decisions around transformation and redesign of savings are made without detailed financial impacts being available to support the decision-making process.

Develop a revised financial strategy incorporating revised approaches to service delivery and new ways of working to ensure the total balances available are used to support the financial sustainability of the Council over the medium term.

To address the financial challenge the Council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.

[Paragraph 76](#)

Agreed. The Council is currently developing a revised approach to financing key projects including digital transformation, The Way We Work and zero carbon ambitions.

All directors/Chief Financial Officer

February 2022

9. Option Appraisal

The 'Way we work' project will inform the property needs and configurations for the future. Accommodation will be reviewed in relevant groupings using pre-determined criteria. The Council will face challenging decisions regarding the Council's accommodation.

Risk – There is a risk that the optimal decision is not reached if all information and options are not fully considered and scrutinised.

The Council should develop robust option appraisals to consider all relevant financial, legislative and environmental factors including cost, future need, configurations, investment requirements and carbon footprint to enable informed asset management decisions to be made.

[Paragraph 104](#)

Agreed.

Director of Environment
December 2022

Follow-up of prior year recommendations

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| <p>10. Impact of Covid-19 on valuations of land and buildings</p> <p>The Council's land and properties are part of a rolling 5-year valuation programme.</p> <p>The valuer noted in the final valuation report that '(year-end) valuations do not reflect the consequences of the prevailing Covid-19 pandemic and its influence on the property market and wider economy which are anticipated to be significant.'</p> <p>Risk - There is a risk that asset valuations remain an area of uncertainty for 2020/21 and that the amounts in the financial statements are misstated.</p> | <p>The Council and the valuer should assess the ongoing impact of Covid-19 on valuation of assets in the coming year. Consideration should be given to revisiting valuations again for 2020/21.</p> | <p>Complete</p> |
| <p>11. Clyde Valley Residual Waste Treatment arrangement</p> | <p>Management should prioritise reaching an agreement over the accounting treatment for</p> | <p>Complete – accounting treatment for Clyde Valley</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|---|--|---|
| <p>Alongside four other local authorities, East Renfrewshire Council entered into an agreement with partners in the private sector to improve and run Clyde Valley Waste Management Facility. An interim financial model has been applied in 2019/20 as the accounting treatment has not yet been agreed between partners.</p> <p>Risk - There is a risk that there is an inconsistent accounting treatment between different local authorities.</p> | <p>Clyde Valley Residual Waste Treatment Facility with partners and ensure that processes are put in place to ensure that the accounting treatment for future projects are considered prior to these becoming operational.</p> | <p>Residual Waste Treatment Facility has been resolved.</p> |
| <p>12. Payroll adjustment relating to responsibility allowances</p> <p>Testing on the payroll system identified a control weakness in relation to the process of awarding responsibility allowances to education staff. For Council staff, a standard form is required to be completed and approved by line managers however such a form is not required to be completed for education staff.</p> <p>Risk - There is a risk that responsibility allowances are inappropriately awarded.</p> | <p>The Council should consider the implementation of a standard Council wide process for the award of responsibility allowances.</p> | <p>Complete – audit testing of payroll adjustments relating to responsibility allowances did not identify any issues.</p> |
| <p>13. Systems of internal control</p> <p>As a result of Covid-19 many staff have been working from home for all of 2020/21. This change in working arrangements will impact on how the internal controls operate.</p> <p>Risk - There is a risk that the internal controls do not</p> | <p>The Council should review its framework of controls, including for the new systems, to ensure that the impact of home working is taken into account.</p> | <p>In progress. This will be taken forward as we develop our plans for “The Way We Work”.</p> <p>All directors/Chief Financial Officer</p> <p>December 2022 (to align with TWWW in 9 above)</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|--|---|---|
| <p>operate as expected due to home working.</p> | | |
| <p>14. Medium to long term financial planning</p> <p>The Council operates a 3-year budget cycle, with 2020/21 being the final year in the current cycle. Due to the impact of Covid-19, the Council decided in June 2020 that they would adopt a single year approach for the 2021/22 budget. The intention is that they will revert to 3-year budget setting for 2022-25, when it is hoped that multi-year settlements will be available from Government.</p> <p>Risk – There is a risk that the long-term impact of Covid-19 on the Council’s budget is not adequately reflected in the long-term financial plans.</p> | <p>The impact of Covid-19 in the medium to long term are expected to be significant. The Council will need to revise its financial plans to address the challenges once greater clarity is received on the financial flexibilities to be permitted by the Scottish Government.</p> | <p>Superseded by Action Plan point 8.</p> |
| <p>15. Annual Instruction to the Valuer</p> <p>We recommended in 2017/18 that the Council formalise the relationship with the valuer. This has been partially implemented and we would recommend a formal instruction to be issued by Accountancy Services each year which clearly directs the valuer on the valuations to be undertaken. This instruction should include a formal impairment review to be undertaken and also instruct the valuer to consider the need for indexation to be applied to assets not subject to review under the 5 year rolling programmes.</p> | <p>The Council should develop a formal process to include: the assets to be revalued and that valuation be provided in accordance with The CIPFA Property Valuation Guide; the need for the valuer to conduct an annual impairment review of assets; and requirement for the valuer to set out their approach to the use of indexation factors.</p> | <p>Superseded by Action Plan Point 1.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|---|--|---|
| <p>Risk – Finance do not have ownership of the valuation exercise and changes to accounts have to be made due to late information.</p> | | |
| <p>16. Budget Underspends</p> <p>The Council has a history of underspend against budget as reported in 2016/17 and 2017/18. Given the current and future pressures which service budgets are under, there is a need for the budget to reflect the actual pattern of spending and for forecasts to be reviewed to ensure they reflect demand.</p> <p>Risk – There is a risk that the Council may not be able to deliver the targeted savings in 2019/20.</p> | <p>The Council should continue to review its budget to ensure budgets and forecasts reflect actual spending and demand patterns.</p> | <p>Superseded by Action Plan Point 6.</p> |
| <p>17. Business Continuity/ Disaster Recovery</p> <p>We have previously reported on the need for the Council to ensure disaster recovery and business continuity plans are up to date, realistic and are tested. Progress has been made on this and a report on progress is due in mid-September on the status of the plans.</p> <p>Risk – Until the plans are fully implemented and tested, that the Council suffers a loss of data and disruption to service.</p> | <p>The Council should ensure that the business continuity arrangements are current and that disaster recovery arrangements are current and tested.</p> | <p>In progress</p> <p>Head of Digital and Community Safety</p> <p>June 2022</p> |
| <p>18. Transformation Programme</p> <p>During 2018/19 the Council have made good progress in developing a new reporting framework for the</p> | <p>Enhance the MAP reporting framework to align the Council’s transformation programme and its associated projects with approved savings plans to</p> | <p>Superseded by Action Plan point 8.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|---|---|---|
| <p>Transformation Programme. Corporate monitoring of the progress of projects and reporting to members has improved. However, the reporting of the financial links to savings targets and progress against agreed savings plans require further development.</p> <p>Risk - It is not possible to monitor progress against the target savings and benefits to be delivered by the MAP projects.</p> | <p>track savings achieved at both the programme and project level.</p> | |
| <p>19. Accommodation Strategy</p> <p>A draft Accommodation Strategy was reported to the Council in October 2018. Work on the development of a final Accommodation Strategy is still ongoing.</p> <p>Risk - Future decisions on the future of the Council's estate are made in the absence of an overarching accommodation strategy.</p> | <p>Approve a finalised Accommodation Strategy to inform future decisions, in particular the planned new build Leisure Centre, the Eastwood park master plan and the development of the Council's corporate landlord approach to asset management.</p> | <p>Superseded by Action Plan Point 9.</p> |
| <p>20. Equal Opportunities Training</p> <p>Training for employees on equalities is not a mandatory part of the Council's Continuous Professional Development programme and equality training has not featured as an explicit element of the members training and induction programme.</p> <p>Risk – Equality issues are not effectively mainstreamed and adequately considered as part of the Council's</p> | <p>Training on equalities should be a mandatory requirement for employees and elected members should be provided with training on equality, including the Public Sector Equality Duty to ensure they can carry out their role effectively.</p> | <p>Complete</p> <p>Mandatory training has been introduced for all Council employees.</p> <p>Completion rates for the training will be monitored.</p> |

| Issue/risk | Recommendation | Agreed management action/timing |
|---|----------------|---------------------------------|
| strategic planning and decision making. | | |

Appendix 2

Significant audit risks identified during planning

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

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| <p>1. Material misstatement due to fraud caused by the management override of controls</p> <p>International Auditing Standard require that audits are planned to consider the risk of material misstatement on the financial statements caused by fraud, which is presumed to be a significant risk in any audit. This includes the risk of fraud due to the management override of controls.</p> | <p>Detailed testing of journal entries.</p> <p>Reviewed of accounting estimates and judgements.</p> <p>Focussed testing of accruals and prepayments.</p> <p>Evaluation of significant transactions that are outside the scope of normal business.</p> | <p>Results: Substantive testing of journal entries did not identify any issues.</p> <p>A review of the accounting estimates and judgements within the annual accounts was undertaken and no issues were identified.</p> <p>We tested a sample of transactions taken from both pre and post year end to confirm expenditure and income had been accounted for in the correct financial year.</p> <p>We tested a sample of accruals and prepayments and evaluated significant transactions that were outside the normal course of business. No issues were identified through this testing.</p> <p>Conclusion: Our testing did not identify any evidence of management manipulating accounting records or overriding controls.</p> |
| <p>2. New payroll system</p> <p>East Renfrewshire Council introduced a new payroll system during 2020/21. The</p> | <p>Review and testing of the controls in place within the new payroll system.</p> | <p>Results: The review and testing of controls within the new payroll system were concluded satisfactorily.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| <p>payroll figures within the 2020/21 financial statements will be produced from the new system. There is an increased risk of misstatement in the figures and balances.</p> | <p>Confirm the completeness and accuracy of balances transferred from the old to the new payroll system.</p> | <p>No issues were identified with the review of balances transferred from the old to the new payroll system.</p> <p>Conclusion: The controls in place within the new payroll system are appropriate and no significant issues were reported.</p> |
| <p>3. New council tax and housing benefit system</p> <p>East Renfrewshire Council introduced a new council tax and benefit system during 2020/21. As the new system will be used for the production of council tax income account figures and benefit awards in the 2020/21 financial statements, there is an increased risk of misstatement in the figures and balances.</p> | <p>Review and testing of the controls in place within the new council tax and benefits system.</p> <p>Confirm the completeness and accuracy of balances transferred from the old to the new system.</p> | <p>Results: The review and testing of the controls within the new council tax and benefits system identified several areas for improvement including the introduction of controls which were not operating fully on the new system in 2020/21. Additional work was undertaken by the audit team to ensure sufficient assurance could be obtained for the financial statements audit.</p> <p>The completeness and accuracy of balances from the old system to the new system was reviewed and appropriate assurances obtained.</p> <p>Conclusion: Additional audit work undertaken provided the required assurances for the 2020/21 financial statements audit. Recommendations made within our management letter presented to the Audit and Scrutiny Committee in September 2021 will be followed up as part of our 2021/22 audit.</p> |
| <p>4. Estimates and judgements in the valuation</p> | <p>Complete the 'review of the work of an expert' for the in-house valuer.</p> | <p>Results: Our review of the valuer was completed, and we concluded that we could</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|--|---|--|
| <p>of property, plant and equipment</p> <p>At 31 March 2020, East Renfrewshire Council had property, plant and equipment (PPE) with a net book value of £729 million. There is a significant degree of subjectivity in the valuation of these assets as they are based on specialist and management assumptions and estimates. Any changes in assumptions and estimates made by the valuer or management can result in changes in value.</p> <p>The Council's valuer reported a material uncertainty, caused by Covid-19, the valuation of land and buildings in 2019/20. We understand the latest guidance issued by the Royal Institute of Surveyors (RICS) suggests that this will not be required in 2020/21 but recognise this position may change in the coming months.</p> | <p>Review and assess the reasonableness of revaluations performed in year.</p> <p>An assessment of the underlying information the valuer is using to base valuations to ensure it is complete and accurate.</p> <p>Examine evidence that the valuer is performing an annual impairment exercise.</p> <p>Assess the Council's responses to any changes in guidance issued by RICS.</p> | <p>rely on the year end valuations.</p> <p>Satisfactory evidence was obtained to confirm the reasonableness of the revaluations in the year.</p> <p>Information was received on the underlying information the valuer is using to base valuations. We were able to conclude that the valuations are complete and accurately based.</p> <p>Information was received to support the work done on assessing the need to impair the value of assets. We found that there could be improvements in the level of detail provided.</p> <p>The Council have complied with appropriate guidance issued by RICS regarding the valuation of assets.</p> <p>Conclusion: While estimates and judgements included in the audited accounts are satisfactory the evidence to support the valuation of land and buildings, specifically in terms of reports from the valuer, could be improved. See action plan point 1.</p> |
| <p>5. Estimates and judgements in the valuation of the pension liability</p> <p>East Renfrewshire Council recognised a net liability of £87.594 million relating to its share of the Strathclyde Pension Fund at 31 March 2020. There is a significant degree of subjectivity in the measurement and valuation</p> | <p>Completion of 'review of the work of an expert' for the professional actuary.</p> <p>Review of the estimates and assumptions made in calculating the pension fund liability.</p> <p>Assess the completeness and accuracy of information submitted by the Council to</p> | <p>Results: Our review of the actuary was completed, and we concluded that we could rely on the year end valuations.</p> <p>We have reviewed the actuarial assumptions made within the calculation of the pension fund liability and have not noted any issues.</p> |

| Audit risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>of the pension fund liability. The valuation is based on specialist assumptions and estimates and changes in these can result in material changes to the valuation.</p> <p>Additionally, the triennial valuation exercise will take place for the pension fund and impact on the 2020/21 annual accounts. This exercise is more detailed than the annual valuations and will also set employer contribution rates for the next three years.</p> | <p>Strathclyde Pension Fund to support the triennial valuation exercise.</p> | <p>Confirmed that information submitted to Strathclyde Pension Fund is in line with requirements.</p> <p>Conclusion: Estimates and judgements in relation to pensions included in the audited accounts are satisfactory.</p> |
| <p>6. Impact of additional funding due to Covid-19 on the financial statements</p> <p>The Covid-19 pandemic has resulted in significant financial pressures for the Council. The Scottish and UK governments have announced a range of additional funding streams for the Council to support frontline services and help the Council manage the financial pressures caused by Covid-19. This has also resulted in an associated increase in expenditure, with some new expenditure streams. Total additional expenditure in 2020/21 is expected to be around £9 million.</p> | <p>Assess how the Council has processed and controlled the additional funding and associated expenditure,</p> <p>Assess how the additional funding and associated expenditure impacts on the financial statements.</p> <p>Review the Annual Report and Accounts and consider how the additional funding and associated expenditure has been reported.</p> | <p>Results: Completed a walk-through of the process and controls surrounding additional funding and expenditure in the areas of business support grants, education hardship grant and self-isolation grants.</p> <p>Confirmed that income and expenditure continued to be processed through the Council's normal controls and processes.</p> <p>Reviewed the disclosures within the annual report and accounts and concluded that the reporting of additional funding and associated expenditure is complete and accurate.</p> <p>Conclusion: The annual report and accounts reflects accurately the additional funding provided to the Council in 2020/21.</p> |

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

| Audit risk | Assurance procedure | Results and conclusions |
|---|--|---|
| <p>7. Financial sustainability</p> <p>Whilst the Council are projecting a year end underspend on departmental activity for 2020/21 the financial challenges going forward remain significant.</p> <p>The Council approved a one-year 2021/22 budget in March 2021. This had a funding gap of £8.5 million. As part of the budget process, Council approved savings of £3.5m and use of reserves of £3 million.</p> <p>In the short to medium term the Council will continue to face a number of uncertainties and pressures that may have a financial impact on the Council. There is a risk that the Council is not able to deliver its strategic objectives.</p> | <p>Assessment of the adequacy of the Council's longer term financial management arrangements and plans reported to members.</p> <p>Monitor the Council's financial position through budget monitoring reports presented to members and consider the delivery of in year savings programmes and the robustness of future savings plans and targets.</p> | <p>Results: Reviewed and considered the council's financial plans.</p> <p>Considered budget reporting through the committee structure during the year.</p> <p>Conclusion: The Council updated their medium-term financial plan along with their one-year budget for 2021/22. The Council intend to revert to 3-year budget setting from 2023.</p> |

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Appendix 3

Summary of national performance reports 2020/21

April

[Affordable housing](#)

June

[Highlands and Islands Enterprise: Management of Cairngorm mountain and funicular railway](#)

[Local government in Scotland Overview 2020](#)

July

[The National Fraud Initiative in Scotland 2018/19](#)

January

[Digital progress in local government](#)

[Local government in Scotland: Financial overview 2019/20](#)

February

[NHS in Scotland 2020](#)

March

[Improving outcomes for young people through school education](#)

East RenfrewshireEast Renfrewshire Council

Draft 2020/21 Annual Audit Report

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EAST RENFREWSHIRE COUNCIL AUDITED ANNUAL ACCOUNTS 2020/21



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Management Commentary

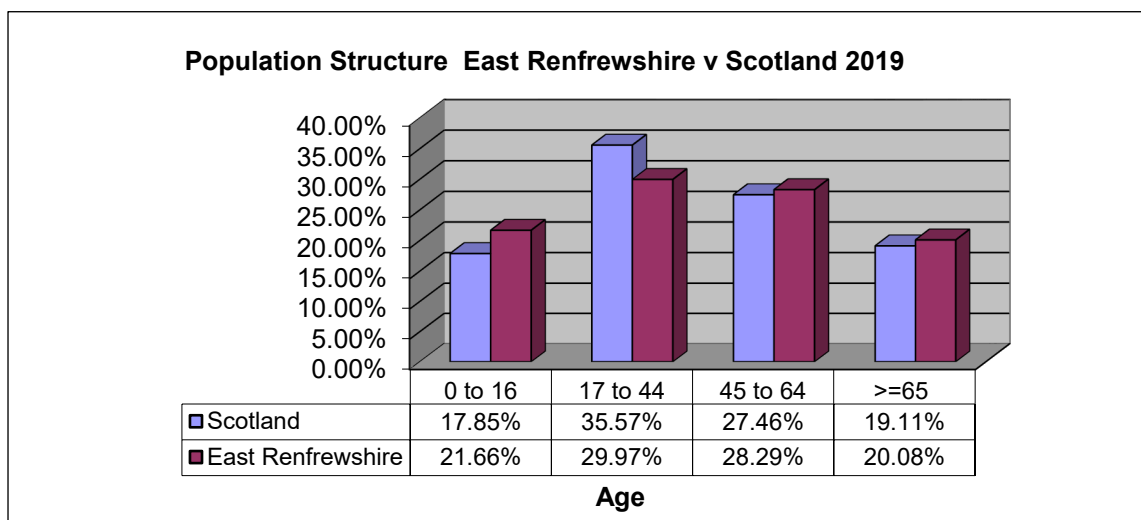
1. Introduction

This statement outlines key messages on the objectives and strategy of the Council and its financial performance during 2020/21 and also indicates issues and risks which may impact upon the finances of the Council in the future.

East Renfrewshire and the local authority

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

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



*Source 2019 Mid-Year Population Estimates, National Records of Scotland (2020 figures were not available at time of going to print)

The council provides a wide range of vital services to the public such as schools, social care, highways and footpaths, parks, refuse collection and housing. There are eighteen councillors, across five multi-member wards, representing the interests of the community. The administration is made up of a coalition comprising of 5 SNP, 4 Labour and 1 Independent. The management of East Renfrewshire is led by the Chief Executive, Lorraine McMillan.

Annual Accounts

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



Management Commentary (cont'd)

during the year to 31st March 2021. The Accounts are subject to statutory audit and incorporate the information required by the Code of Practice on Local Authority Accounting in the United Kingdom.

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

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

1. Objectives and Strategy of the Council

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

Our Outcomes are:-

| | | |
|---|--|---|
| <p>Early Years and Vulnerable Young People</p> | <p>All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed</p> |  |
| <p>Learning, Life and Work</p> | <p>East Renfrewshire residents are healthy and active and have the skills for learning, life and work.</p> |  |
| <p>Environment and Economy</p> | <p>East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.</p> |  |
| <p>Safer, Supported Communities</p> | <p>East Renfrewshire residents are safe and live in supportive communities.</p> |  |
| <p>Older People and People with Long-term Conditions</p> | <p>Older people and people with long-term conditions in East Renfrewshire are valued; their voices are heard and they enjoy full and positive lives.</p> |  |



Management Commentary (cont'd)

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

FIVE CAPABILITIES

PREVENTION



We will ...

Choose to prevent problems from occurring in our communities, rather than trying to fix what has already gone wrong.

We will ...

Instinctively take a preventative approach in our daily work, placing children, early years and the reablement of our elderly at the heart of how we plan services.

EMPOWERING COMMUNITIES



We will ...

Place a high value on listening to local people and asking for their views. We will work hand in hand to plan and deliver the services that truly make lives better.

We will ...

Listen, understand and respect, empowering our communities to do more for themselves.

DATA



We will ...

Seek and share meaningful information to plan our services and measure if we are getting it right. We will not collect numbers for the sake of it.

We will ...

Use data to plan, we will evidence what works, and we will benchmark what we do with those who might be doing it better.

MODERNISATION



We will ...

Continually look for ways to modernise and improve how we do things. We will make it easier for local people to access our services.

We will ...

Put a stop to bureaucracy and inefficient processes. We will focus on what is best for local people and not what is easiest for us.

DIGITAL



We will ...

Choose to be digital by default wherever possible. We will examine and digitise our processes to make it easy for people to access our services online.

We will ...

Encourage local people to use our website and social media to speak to us, and each other, 24/7, 365 days a year.

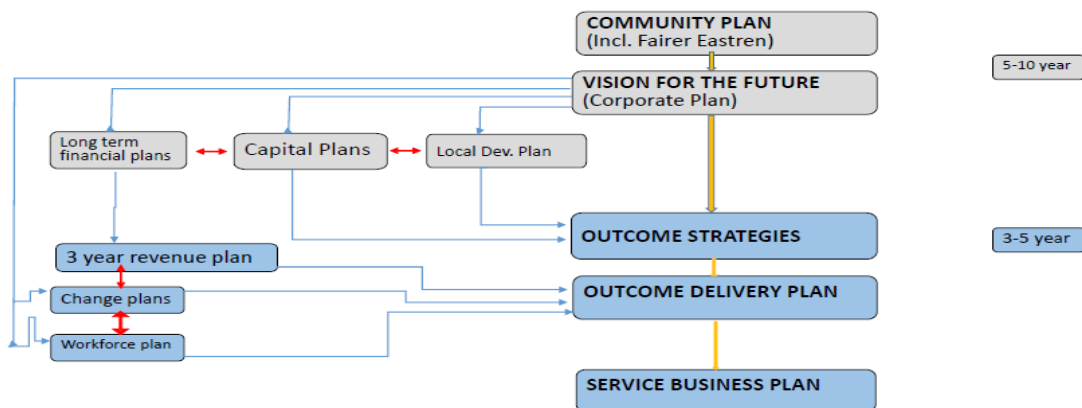


Management Commentary (cont'd)

Strategic Planning and Performance Outcomes

The Council has well established strategic planning and performance management arrangements which are embedded into the work of all employees linking our vision, strategic plans and outcomes through to services' business plans and employees' roles. Employees are working towards achieving our vision to be 'A modern ambitious Council creating a fairer future with all', with the ultimate aim to make people's lives better.

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



The Community Plan (incorporating Fairer East Ren, East Renfrewshire's Local Outcome Improvement Plan) sets out the strategic outcomes and priorities for the Community Planning Partnership. For the Partnership and the Council there are joint strategic outcomes spanning individuals' life stages:

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

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

We have updated our long term strategy for the council, [Vision for the Future \(VFTF\) 2020-2030](https://www.eastrenfrewshire.gov.uk/media/1177/Council-Item-08-27-February-2020/pdf/Council_Item_08_-_27_February_2020.pdf?m=637273828100600000), (https://www.eastrenfrewshire.gov.uk/media/1177/Council-Item-08-27-February-2020/pdf/Council_Item_08_-_27_February_2020.pdf?m=637273828100600000) this reflects the long term ambitions for East Renfrewshire. Council considered the update in February 2020 and agreed to support the ongoing conversations with residents on themes including connecting communities, tackling loneliness and effective transport and active travel, to shape our future strategic direction. This will now be taken forward as part of the Council's 'renewal' journey post-Covid from 2021 onwards.

Our [Outcome Delivery Plan 2020-2023](https://www.eastrenfrewshire.gov.uk/media/4264/Outcome-delivery-plan-2020-to-2023/pdf/ODP_2020-23_Final.pdf?m=637399248101700000), (https://www.eastrenfrewshire.gov.uk/media/4264/Outcome-delivery-plan-2020-to-2023/pdf/ODP_2020-23_Final.pdf?m=637399248101700000) sets out how the Council will work towards achieving these outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency. The usual timescales for updating the ODP were



Management Commentary (cont'd)

impacted last year as the Council focused on the delivery of essential services. The plan was updated to reflect post pandemic recovery and approved at Council in October 2020.

Our performance

The Council's strategic performance management arrangements were pared back in 2020, however six monthly performance review meetings involving the Chief Executive, each Director and service managers took place in October 2020 and elected members scrutinised strategic end year performance for 2019/20 at the Council meeting on 24 June 2020. See link to report [here](https://www.eastrenfrewshire.gov.uk/media/1641/Full-Council-Meeting-item-13/pdf/Council_Item_13_-_24_June_2020.pdf?m=637390020556400000) (https://www.eastrenfrewshire.gov.uk/media/1641/Full-Council-Meeting-item-13/pdf/Council_Item_13_-_24_June_2020.pdf?m=637390020556400000). Targets were not set for 2020/21 for the majority of our strategic indicators, given the impact of the pandemic outbreak on services delivery. Despite the challenges of 2020 performance data was gathered throughout the year and was used to set baselines and inform targeting setting for 2021/22 onwards as the Council moves to focusing on renewal. Progress on achieving our outcomes in 2020/21 is summarised below and was considered at the Council meeting on 30 June 2021. See link to report [here](https://www.eastrenfrewshire.gov.uk/media/5770/Council-Item-13-30-June-2021/pdf/Council_Item_13_-_30_June_2021.pdf?m=637602110301430000) https://www.eastrenfrewshire.gov.uk/media/5770/Council-Item-13-30-June-2021/pdf/Council_Item_13_-_30_June_2021.pdf?m=637602110301430000

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

We continued to progress with plans to deliver 1140 hours of early learning and childcare (ELC) for all eligible 2, 3 and 4 year old children from August 2020 albeit in a more limited way given the impact of COVID-19 on plans; in particular the completion of required new ELC facilities. As restrictions eased, construction work progressed in 2020/21 with investment of circa £27 million (of which £12.27 million is funded by the Scottish Government), with the main phase of our early years' expansion completed by March 2021. This resulted in children and staff moving into their new facilities in the last quarter of 2020/21 at a new build extended Glenwood Family Centre; two new build larger replacements for Busby and Eaglesham primary school nursery classes; a new build family centre on the site of Crookfur pavilion; and a new extension at Cross Arthurlie Primary School to establish a nursery class. Works were also completed at Overlee park to establish a new family centre which will open in August 2021. Over summer 2021 the remaining 1140 hours building works will be completed with improvements to kitchen and dining provision at Hazeldene Family Centre. We consulted with families in late 2020 on the implementation of 1140 hours. This confirmed that our models of delivery are appropriate and responsive to family needs.

During the Covid-19 outbreak HSCP adapted our services and continued to support the most vulnerable families and individuals in East Renfrewshire, particularly those where there are public/child protection issues or an identified risk of harm. We continue to shift the balance of care and have one of the highest proportions of children being looked after in the community in Scotland. During the pandemic we have continued to ensure our care experienced young people have a voice through our Champions Board with ongoing participation and engagement. To support the needs of our young people during the pandemic period, we worked in partnership with Education and other stakeholders to establish the Healthier Minds Service aligned to school communities.

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

We have maintained our position as the top performing education council as measured by national qualifications. For educational attainment, the Council maintained very high levels of performance across the wide range of measures whilst making further improvements at 5+ SCQF levels 5 and 6.



Management Commentary (cont'd)

The examination attainment of our most deprived children as measured by the average total tariff score continued to compare very favourably with other local authority and national averages. Based on a direction from the Scottish Government some attainment measures were not collected or reported in 2019/20 including Curriculum for Excellence levels at Primary 1, 4 and 7. In 2020/21 this data was collected, analysed and is being used to inform future service provision.

The number of school learners undertaking and successfully completing a wide range of vocational qualifications with our further and higher education partners remained high in 2019/20 with 561 young people enrolled in a broad range of courses. Recruitment of Foundation Apprenticeships (FAs) continued to increase with 121 young people involved in both one year shorter duration FAs and two year FAs in 2019/20.

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

The pandemic and restrictions impacted certain areas and priorities changed, Business Gateway and the Council's employability services moved to a period of dedicated support to businesses who required advice, direction and support, not to grow, but to survive. During 2020/21 over 1,500 individual businesses were supported and £19.481m of Covid-19 Grants distributed, along with £0.9m of free Personal Protective Equipment.

Ongoing Capital investment in our roads has resulted in a continued improvement in our road condition indicators. The assessment of roads and footways resurfacing requests are an integral part of prioritising our maintenance programme and our Capital Improvement Programme continues with the additional investment of £3m per year from 2019/20-2023/24 in our road network. Our programme of replacing our street lighting lanterns with LEDs continues with 70.8% now LED helping to reduce our energy consumption. Our Council target of building 200 new council houses (cumulative target over 5 years by 2022) remained on track with 36 houses built or acquired in 2019/20 and a further 39 houses built or acquired in 2020/21.

Recycling rates remain top in Scotland (67.79%), we met our street cleanliness target and satisfaction levels with our parks and open spaces remained high as we sought to undertake a larger number of smaller remedial projects to support the safety and aesthetic presentation of our parks following the completion of larger scale projects in the last few years.

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

East Renfrewshire remains one of the safest places to live in mainland Scotland. We continued to reduce the number of recurring incidences of anti-social behaviour, (7% recurrences within the target set of 10%). Community wardens have played a key role in our isolation and support services by providing welfare support calls to the most vulnerable.

Through the Connecting Scotland Programme over 2,000 devices have been issued to households across East Renfrewshire to empower people digitally, with additional digital support being provided for people in receipt of devices. Although impacted by Covid-19 and associated restrictions in 2020 our street work with young people was extended to cover all communities rather than narrowly targeted areas of East Renfrewshire and there was 4,700 interactions with young people across the local area.



Management Commentary (cont'd)

We continue to support people completing Community Payback Orders, with 92% of people reporting that they have been helped to address their offending behaviour. We have further improved and are ahead of our target for improving the personal outcomes of women who have been victims of domestic abuse with 84% overall reporting an improvement in outcomes. Our recovery planning is prioritising the reestablishment and strengthening of our approaches to public protection.

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

Despite the challenges of the pandemic, our services continue to support older people and people with long-term conditions to live independently and well. 99% of local residents aged 65+ live in housing rather than a care home or hospital and 91% of respondents reported that their needs were met in terms of living where/as they wanted to live. During the pandemic we have focused our services on supporting those at greatest risk in both community and residential settings. This saw additional staff support through redeployment and recruitment for care at home and our care home. There has been increased collaborative working with the third/community sector and additional support given to partner provider organisations, particularly our care home providers. During the year we have successfully delivered the flu and Covid-19 vaccination programmes to housebound residents and our care home populations. We continue to develop our support to unpaid carers in collaboration with our local Carers Centre and have continued to see a high proportion of carers reporting that their needs are being met (91%).

Public Performance Reporting

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

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

Workforce Planning

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

- Empowered, resilient and engaged employees at all levels of the organisation;
- A diverse, skilled workforce;
- A flexible workforce that embraces change, innovation, and digitisation and delivers customer focussed services.

The Council's Workforce Plan is aligned with our budget planning. A single year budget has been set for 2021/22 and it is hoped to return to a multi-year process from 2022/23 onwards. Planning over a longer period allows for better prediction of potential changes to workforce shape and size and allows time to plan appropriately for these changes to the workforce.

The last year has been unique and the workforce had to quickly adapt to supporting a number of activities during the pandemic including isolation support, humanitarian support for vulnerable/shielding residents, business grants, lateral flow testing in schools and staffing for



Management Commentary (cont'd)

additional cleaning, Mass Vaccination Centres and Asymptomatic Testing Centres. There has been additional funding from the Scottish Government to fund these activities.

During peaks of the pandemic Covid-19 absences did impact services however this was actively managed and the Council continued to deliver essential services throughout following Scottish Government guidance with only those in the workplace who were well and who are unable to work from home.

The financial plan now set out for 2021/22 indicates that the Council’s budget would reduce by £8.5m. After applying £3.5m of reserves, savings of £3m are needed across Council services and it is estimated that there will be a reduction of up to 32 FTE from the current Council structure. There is a further £2 million saving to be taken by the IJB (Integrated Joint Board) and Leisure Trust and decisions will be agreed through their governance routes if there is any impact on workforce. We have continued to manage reductions through natural turnover and voluntary early retirement and redundancies and a commitment has been made that this approach will continue for 2021/22.

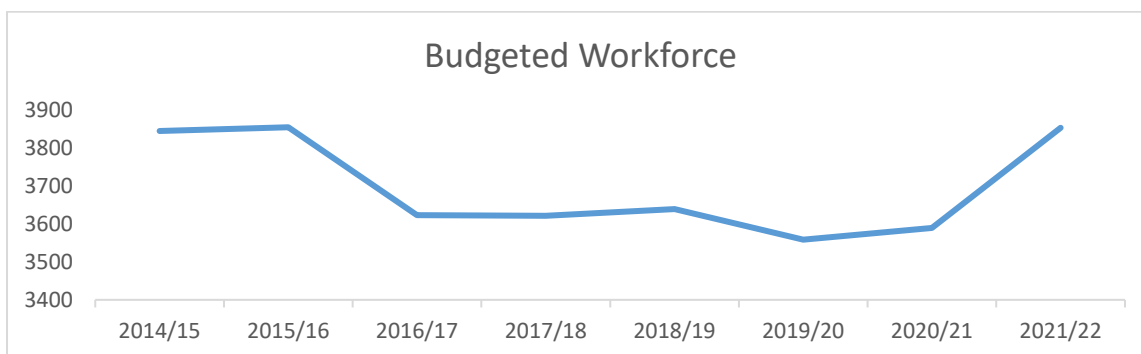
Although easing of Covid-19 restrictions has started it is not yet known how long it will take until full phasing back to the workplace will be undertaken, however, the council will continue to follow national guidance. All services are reviewing recovery plans ensuring strict adherence to all measures in place such as social distancing and face coverings.

The council has a number of transformational change programmes ongoing and although there has been some impact over the last year we continue to ensure that we will have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. As we move into recovery mode we continue to review our structures, operating models to introduce and establish more cross-functional and collaborative working to improve resilience.

The Workforce Plan is currently being updated for 2021-2024 to reflect the workforce requirements to support recovery and renewal within the council and to ensure that development and retraining opportunities continue to be supported during this difficult time.

Due to the Council’s programme of efficiency reviews 6 employees took the option of voluntary redundancy or other packages in 2020/21. This resulted in an in year cost of £0.16m.

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



*The decrease in staff between 2015/16 and 2016/17 is due to the transfer of staff to East Renfrewshire Culture & Leisure Trust which commenced on 2 July 2015 and the increase in the current year reflects the rolling out of the Early Learning and Childcare 1140 hours initiative.



Management Commentary (cont'd)

Consultation and Communication with Workforce

East Renfrewshire Council has in place employee governance arrangements to ensure its employees are well informed, involved in decisions, appropriately trained, treated fairly and consistently and provided with a safe environment. The Council engages with employees via surveys and focus groups

to seek views in addition to regular consultations with staff and trade unions. Throughout the Covid-19 pandemic there has been increased employee communications to promote the importance of health and well-being and to promote available support.

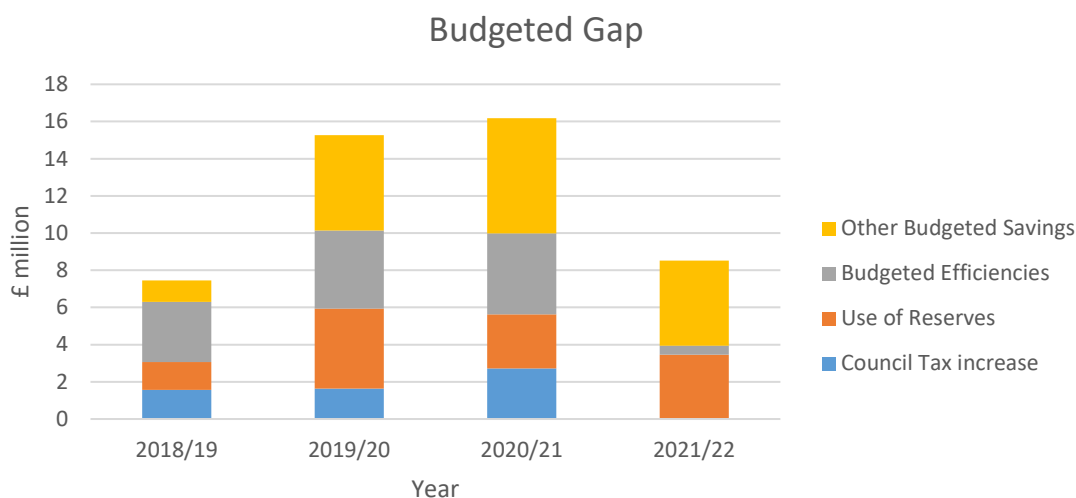
Weekly meetings have been held with the Trade Unions as a forum to quickly escalate any concerns and ensure swift resolution. The Corporate Communications Unit posts updates on the Council's internal website along with the Chief Executive's blog on a regular basis.

2. Financial Planning, Monitoring and Performance in 2020/21

Budget Process

Following our successful previous multi-year budget approach, the Council undertook extensive community engagement, during autumn 2017, on setting its budget for future financial years. Reflecting on that engagement, a budget for 2018/19 and indicative budgets for 2019/20 and 2020/21 were approved by Council in March 2018 and the indicative budgets were updated and approved in February 2019 and February 2020. In view of COVID-19 delaying the confirmation of Council settlement figures for 2021/22, as a result of the deferral of the UK and Scottish budgets until 3 and 9 March 2021 respectively, a new three year budget and associated savings proposals could not be compiled and the Council agreed to produce only a single year budget for 2021/2022. We hope that three year budget setting and public consultations will resume from 2022/2023.

The Council has had to make significant budget savings for a number of years in order to ensure that it complies with its statutory requirement to set a balanced budget whilst meeting the needs of residents. A total of £29.33m budget savings has been approved for the most recent 4 year period. In addition, both Council Tax increases and the use of reserves have been used to balance the budget gap over this period.



Capital plans have also been agreed for the General Fund and Housing, covering the period 2021/22 to 2030/31.



Management Commentary (cont'd)

Budget Monitoring

The Council closely monitors expenditure and income against revenue and capital budget plans throughout the year. Standard reports showing revenue expenditure and income to date against budgets are provided to managers every four weeks with individually tailored reports and online information also available as required. Elected members normally consider revenue monitoring reports and detailed variance information at Cabinet five times per year with all reports providing year-end forecasts. However due to the Covid-19 lockdown, an additional initial Monitoring report was considered by the Cabinet reflecting the position as at period one. Financial and physical progress on each capital project is also reported to Cabinet four times per year. Copies of these reports are available on the Council's website: www.eastrenfrewshire.gov.uk

Links to the final 2020/21 reports can be found below:

General Fund Capital Programme 2020/21, approved by Cabinet on 4 March 2021
https://www.eastrenfrewshire.gov.uk/media/4622/Cabinet-item-6-4-March-2021/pdf/Cabinet_item_6_-_4_March_2021.pdf?m=637492570425770000

Estimated Revenue Budget Monitoring Out-turn 2020/21, approved by Cabinet on 1 April 2021
https://www.eastrenfrewshire.gov.uk/media/4811/Cabinet-item-04-01-April-2021/pdf/Cabinet_item_04_-_01_April_2021.pdf?m=637516599957870000

Revenue Budget Performance

General Fund Revenue Balance

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be found on page 47 and has been prepared using International Financial Reporting Standards. To show the net position of the Council, it is necessary to adjust the Comprehensive Income and Expenditure Statement for statutory items that require to be taken into account in determining the position on the General Fund and Housing Revenue Account for the year. These are summarised in the Movement in Reserves Statement on page 48.

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

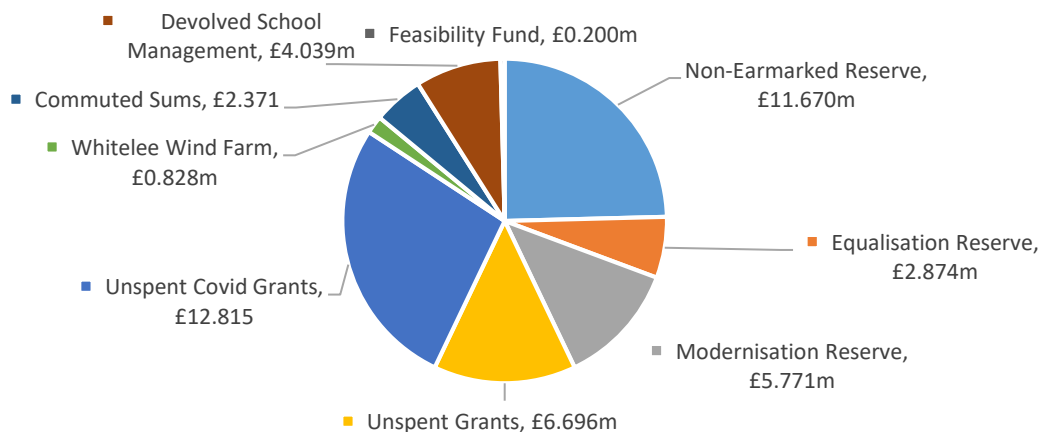
The General Fund Balance at the end of the year is £47.264m. The opening balance of £31.461m has been increased by an overall surplus of £15.803m. The General Fund is split over a number of earmarked funds which are adjusted annually to take account of the following factors:-

- (i) To ensure that the General Reserve is adequate to provide against unforeseen expenditure, which may arise. The Council's aim where possible is for the unallocated general fund balance to be equivalent to 4% of annual budgeted net revenue expenditure. The actual balance for 2020/21 was 4.5% (2019/20 3.8%)
- (ii) To earmark funding to equalise future PFI/PPP payments.
- (iii) To earmark funding to enable the upfront investment required to drive forward the Council's Modern Ambitious (Change) Programme.
- (iv) To earmark funding from unspent grants (including those unspent grants received to cover Covid-19 pressures in 2021/22), Whitelee Windfarm, Commuted Sums and Devolved School Management.
- (v) To earmark funds for feasibility studies to be carried out on potential capital projects.



Management Commentary (cont'd)

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



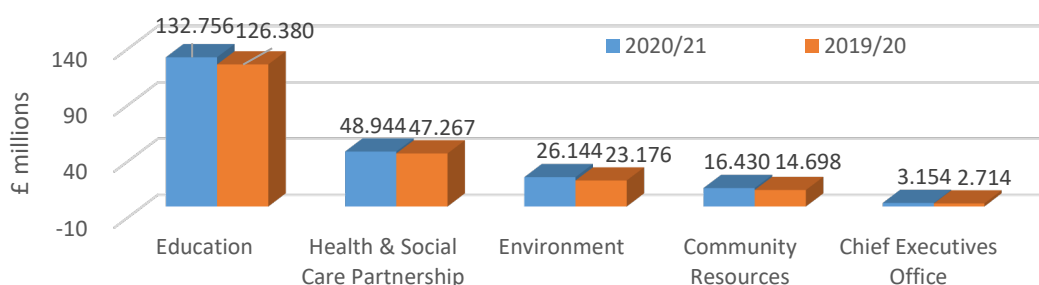
Budget Performance

The overall surplus of £15.803m can be analysed as follows:

| | Actual £'000 | Approved Budget £'000 | Over/(Under) Spend £'000 |
|--|-----------------|--------------------------|-----------------------------|
| Net Cost of Services | 249,243 | 255,578 | (6,335) |
| Contribution to /(from) Earmarked Reserves | (13,776) | - | (13,776) |
| Capital Financing Costs | 8,720 | 8,863 | (143) |
| To be met by Govt. grants and local taxation | 244,187 | 264,441 | (20,254) |
| Aggregate External Finance | (205,559) | (205,559) | - |
| Council Tax | (54,431) | (55,382) | 951 |
| Total Funding | (259,990) | (260,941) | 951 |
| (SURPLUS)/ DEFICIT FOR THE YEAR | (15,803) | 3,500 | (19,303) |

The surplus of £15,803k above is primarily due to an increase in Unspent Grants and also reflects an underspend against budget of £19,303k as Council services ceased all non-essential spend during the year. When this is considered with the Housing Revenue Account deficit of £95k (see Movement in Reserves Statement) it equates to the total of £15,708k, as stated in the Expenditure and Funding Analysis (Note 2). The graph below shows the net expenditure across Directorates, also as shown in Note 2.

Net Expenditure across Directorates





Management Commentary (cont'd)

Housing Revenue

The Housing Revenue Account Comprehensive Income and Expenditure Statement and the Statement of the Movement on the Housing Revenue Account balances are shown on pages 108 and 110. These accounts deal with transactions in respect of managing the Council’s housing stock, which cannot be subsidised by the Council. The opening balance of £2,316k has been decreased by an operational deficit of £95k to give a year-end balance of £2,221k.

Capital Budget Performance

The Covid lockdown interrupted progress on the Council’s capital schemes in 2020/21, however the final Council budget (per the Budget Monitoring reports approved on 4 March 2020) for capital investment in both the General Fund and the Housing Revenue Account was £39.20m, with 86% of this being delivered. It should be noted that as these capital programmes are part of a longer term plan, it is expected that there will be movement in spend across the years and that projects not delivered in year will be completed in forthcoming financial years. The diagram below identifies the key areas of spend in 2020/21 and how these were funded. Further details are provided in Notes 15 to 18.

Capital Expenditure and Funding





Management Commentary (cont'd)

Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2021 and explanatory notes are provided. The net worth of the Council has reduced by £15,966k from £475,755k as at 31 March 2020 to £459,789k as at 31 March 2021. The major movements are set out below:

| | 31 March 2021 £000 | 31 March 2020 £000 | Movement £000 | Main Reason |
|---|-----------------------------|-----------------------------|------------------|--|
| Long Term Assets | 732,227 | 729,041 | 3,186 | This increase is mainly due to major capital investment and asset revaluations of certain categories of assets (see Notes 15 to 18) |
| Current Assets | 104,695 | 91,749 | 12,946 | The total of Cash equivalents and short term investments have increased due to both capital and revenue cash flows |
| Current Liabilities | (58,628) | (53,060) | (5,568) | Due mainly to the movement in short term creditors (see Note 23) |
| Long Term liabilities | (318,505) | (291,975) | (26,530) | Pension liability has increased due to higher inflation rates and a reduction in the corporate bond yield (see Note 39), this has been offset by a decrease in overall Long Term borrowing. |
| Usable Reserves (excluding those related to covid-19) | (45,543) | (44,222) | (1,321) | This reflects an increase in unspent grants during the year (See Note 11 for details) and excludes covid-19 related reserves |
| Usable Reserves – COVID 19 only | (14,735) | - | (14,735) | This reflects both the unspent covid-19 grants which forms part of the General Fund Reserve and the Capital Grants & Receipts unapplied account, both of which can be used to cover any unfunded covid-19 pressures in 2021/22 |
| Unusable Reserves | (399,511) | (431,533) | 32,022 | Reflecting the increase in the Pension Reserve (see Note 25) |

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 2021, discloses a deficit, as a result of prevailing investment market conditions at that date. The liability relates to benefits earned by existing or previous employees up to 31 March 2021. These benefits are expressed in current value terms rather than the cash amount that will actually be paid out. This is to allow for the 'time value of money', whereby the value of cash received now is regarded as higher than cash received in, for example, ten years' time, since the money received now could be invested and would earn interest or returns during the ten years. The pension liability represents the best estimate of the current value of pension benefits that will have to be funded by East Renfrewshire Council. The pension liability can fluctuate significantly year on year and the table below shows the Council's pension liability over the last three years:-

| | 2020/21 £000 | 2019/20 £000 | 2018/19 £000 |
|--------------------------|-----------------|-----------------|-----------------|
| Pension Liability | (119,443) | (87,594) | (134,841) |

The main changes this year can be attributed to an increase in the market derived Consumer Price Index (CPI) inflation rate and a reduction in the corporate bond yield over the period which led to an



Management Commentary (cont'd)

overall loss of around £153m offset by a higher investment return achieved by the fund over the accounting period i.e. 25.1% compared to an expected accounting return of 2.3%, which led to an overall gain of around £121m on the balance sheet.

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

Further detail on pension estimates are included in Note 39.

Treasury Management

The Council's net borrowing decreased by £4.191m during the year. This reflects the funding of the capital programme and the repayment of borrowing and lease finance as shown in the Balance Sheet as follows:-

| | 31 March 2021 £000 | 31 March 2020 £000 | Movement £000 |
|---|-----------------------|-----------------------|------------------|
| Long Term Investments | 255 | 262 | (7) |
| Short term Investments | 7,999 | 34,248 | (26,249) |
| Cash & Cash Equivalents & Bank Overdraft | 61,119 | 36,139 | 24,980 |
| Short Term Borrowing | (383) | (561) | 178 |
| Short Term Finance Lease | (5,083) | (4,864) | (219) |
| Long Term Borrowing | (113,843) | (114,226) | 383 |
| Long term Finance Lease | (78,712) | (83,837) | 5,125 |

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 41. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external debt (including Finance leases) at the year-end was £197.237million (excluding effective interest), made available to the Council from various sources, the most significant of which was from the Public Works Loans Board. This compares with the CFR of £203.440 million (see Note 33) and demonstrates that external borrowing has only been undertaken for capital investment purposes which is reflective of the Council's Treasury Management Strategy to make use of internal funds and to minimise the exposure to investment risk. The Council's Treasury Management Strategy Report for 2020/21 can be found:

[Treasury Management Strategy Report 20/21](https://www.eastrenfrewshire.gov.uk/media/1110/Audit-and-Scrutiny-Committee-Item-03-20-February-2020/pdf/Audit_Scrutiny_Committee_Item_03_-_20_February_2020.pdf?m=63734563772860000)

https://www.eastrenfrewshire.gov.uk/media/1110/Audit-and-Scrutiny-Committee-Item-03-20-February-2020/pdf/Audit_Scrutiny_Committee_Item_03_-_20_February_2020.pdf?m=63734563772860000

Provision and Write-offs

The Council has provided £0.754 million in the Balance Sheet for eventualities which may have an impact on the financial position of the Council and the reasons for the provisions made are outlined in Note 24.

There was a write-off against bad debt provision during the year of irrecoverable debt due to the Council of £949.08k for Council Tax, £47.42k for Non-Domestic Rates and £333.21k of other debts which were approved by Cabinet.



Management Commentary (cont'd)

Key Financial Ratios

The following table provides information regarding the financial performance of the Council in 2020/21 and the affordability of its ongoing commitments:-

| Financial Indicator | Commentary | 2020/21 Actual | 2019/20 Actual |
|---|--|----------------|----------------|
| Reserves | | | |
| Uncommitted General Fund Reserve as a proportion of Annual budgeted Net Expenditure | Reflects the level of funding available to manage financial risk/unplanned expenditure. The Council's Reserves Policy is to aim where possible for 4% of the current year's budgeted net expenditure. The level of this reserve is slightly higher than that planned as non-essential service spending was curtailed during 2020/21. More information is provided in the <i>General Fund Revenue Balances</i> section above. | 4.5% | 4.0% |
| Movement in the Uncommitted General Fund Balance | Reflects the extent to which the Council is using its Uncommitted General Fund Reserve. | 21.0% | (8.6%) |
| Total useable Reserves as a percentage of Council Annual Budgeted Net Expenditure | This indicator reflects all useable reserves including those earmarked e.g. Unspent covid-19 grants and those relating to Capital receipts unapplied to cover unfunded covid-19 pressures in 2021/22, as a percentage of the Council's net budgeted expenditure. Details of the usable reserves can be found in note 11 | 23.4% | 18.3% |
| Council Tax | | | |
| In-Year collection rate | Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the impact of covid-19 and the current economic climate and its effect on the local economy. | 96.42% | 97.47% |
| Ratio of Council Tax income to Overall Level of Funding | Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control. East Renfrewshire Council increased Council Tax bills by 4.84% in 2020/21. | 20.9% | 22.1% |
| Financial Management | | | |
| Actual Outturn as a percentage of Budgeted Expenditure | How closely expenditure compares to the budget is a reflection of the effectiveness of financial management. This indicator is based on the format of the budget monitoring as reported throughout the year. More details are provided in the <i>Revenue Budget Performance</i> section above. | 97.4% | 99.2% |
| Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget. | | (0.8%) | 0.4% |
| Treasury Management | | | |
| Financing Charges on the Council Tax | The amount the Council has paid, including principal, interest and expenses to meet the cost of capital investment and the interest rate applied. | £8.720m | £10.245m |
| Financing Charges on the Housing Rents | | £4.244m | £3.729m |
| Average Loans Fund Interest Rate | | 3.67% | 3.74% |



Management Commentary (cont'd)

| | | | | |
|--|---|-------------------------|-----------------------|-----------------------|
| Ratio of Financing Costs to Net Revenue Stream – General Fund | Demonstrates how much of the General Fund Revenue budget is committed to support borrowing. The Council's cost of borrowing is affordable and fits with the Council's medium to long term financial strategy. | 7.60% | 9.00% | |
| Ratio of Financing Costs to Net Revenue Stream – Housing Revenue Account | Demonstrates how much of the Housing Revenue budget is committed to support borrowing | 32.1% | 29.70% | |
| Debt/Long-term Borrowing | | 2020/21 Estimate | 2020/21 Actual | 2019/20 Actual |
| Capital Financing Requirement (CFR) for the current year | External debt levels are less than the CFR. This demonstrates that borrowing is for capital investment purposes only. | £235.072m | £203.440m | £203.052m |
| External Debt Levels for the current year | | £223.187m | £197.237m | £202.693m |

Review

The Council's affairs have again been managed within its operational budget (see budget performance table above). All General Fund departments' outturn spend was within budget, with Directors taking early action to avoid non-essential spend during 2020/21, particularly on staff vacancies and supplies, as it was uncertain whether additional government funding would be provided to cover all covid pressures. As full grant funding for 2020/21 covid pressures was eventually confirmed towards year end this effective control of in-year expenditure allowed us to contribute £2,027k to the non-earmarked general fund reserve and the budgeted £3,500k draw on this reserve was not required. This will give the Council more flexibility to address the significant financial difficulties and uncertainties in coming years.

The additional COVID cost pressures encountered during the year were covered by Government COVID grant funding. £14.43m of these pressures impacted directly on Council funded services in terms of additional costs including staff and PPE to address the pandemic and of lost income from leisure facilities which were closed during lockdown. In addition £12.82m covid grants were carried forward to address pressures in the current year, mainly due to the large proportion of funding received in March 2021 and this can be evidenced by the higher than usual level of reserves held at 31 March 2021.

In addition to the COVID grant funding for additional pressures faced by the Council during the year, the Council also administered the distribution of £21.15m of COVID support grants and equipment to the local businesses and residents.

During the year major investment in Education continued resulting with the opening of five new build nurseries to increase the level of early years care to 1,140 hours, helping families with the cost of childcare. Whilst the Scottish Government had to extend its deadline for offering this increase due to covid-19, East Renfrewshire was still able to offer families the improved provision by the original target date of August 2020. As part of this programme a new changing facility at Crookfur Pavilion was also completed.

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

Through the City Deal, work continued on a major £44m regeneration programme across the Council as part of our ten year capital investment plan and as part of these works the new Balgraystone Road was opened in October 2020.



Management Commentary (cont'd)

In addition, the Council invested a further £4.494m of capital resources in improving our roads and street lighting.

3. Key Risks and Financial Outcomes

The Council maintains a Strategic Risk Register, reviewed weekly by the Corporate Management Team (CMT) and reported twice yearly to the Audit and Scrutiny Committee. The report presented on 18 March 2021 can be found here: [Strategic Risk Register](https://www.eastrenfrewshire.gov.uk/media/4767/Audit-and-Scrutiny-Committee-Item-04-18-March-2021/pdf/Audit_and_Scrutiny_Committee_Item_04_-_18_March_2021.pdf?m=637510686490970000)
https://www.eastrenfrewshire.gov.uk/media/4767/Audit-and-Scrutiny-Committee-Item-04-18-March-2021/pdf/Audit_and_Scrutiny_Committee_Item_04_-_18_March_2021.pdf?m=637510686490970000

The Council monitors risks closely, seeking to mitigate them so as to deliver its strategic aims. Risk registers are also maintained at departmental level and for major projects. In common with all other organisations, we are affected by the current challenging conditions. The key risks for the Council are listed in the table below. Demographic pressures and financial constraints continue to present risks to the Council's operations and from March 2020 the impact of the Covid-19 pandemic has also been flagged as a major risk for many Council services. The levels of risks relating to the introduction of 1140 hours of early years' learning and childcare, the implementation of the new Council Tax system and the economic impact of Brexit have, however been reduced from high to medium. Despite this reduction Brexit may still impact significantly on a wide range of regulations affecting the Council.

| KEY RISKS AND UNCERTAINTIES | |
|---|--|
| Risk | Mitigating Actions |
| Demographic pressures , particularly in relation to school pupils, people with Additional Support Needs and the elderly, cannot be accommodated within the Council's available financial and property resources. | The Council updates its demographic forecasts annually and these are used to inform both revenue and capital plans. Services are reviewed and redesigned with a view to increasing efficiency, and joint working across departments (e.g. Education, HSCP, Housing, Property and Planning) ensures focus on the most strategic issues. |
| Financial constraints restrict the Council's ability to provide the required range and quality of services, due to settlements not providing full funding for inflation and new burdens while increasing ring-fencing of grants and limiting local flexibility. Forecasts of grant for the coming years indicate continuing reductions. Pressures relating to Covid-19 may exacerbate the position in future years as funding is not yet fully confirmed | Medium to long term financial plans, a multi-year budget approach and close budget monitoring all assist in mitigating this risk. Financial Planning 2021-2027 https://www.eastrenfrewshire.gov.uk/media/4634/Council-item-7-25-February-2021/pdf/Council_item_7_-_25_February_2021.pdf?m=637493314526170000 A focus on efficiencies, service reviews, the Council's ambitious transformation programme and lobbying of Government are also used to reduce the threat. |
| Brexit may still have a significant impact on a wide range of regulations affecting Councils. The initial impact was not severe but details of the longer impacts are not yet clear. There remains potential for disruption in many areas including certain areas of the workforce, essential supplies, inflation and importing/exporting businesses. | The Council's Crisis Resilience Management Team (CRMT) was stood up to initiate the Council's preparations and liaise with national organisations. A Brexit Co-ordinator has been appointed and a Brexit Working Group & risk register established. National developments are being monitored, appropriate local communications issued and service specific training and mitigation put in place. |



Management Commentary (cont'd)

| | |
|--|--|
| <p>COVID-19 is a major risk across the Council with potential problems relating to staff availability, supply chain, service demands, financial pressures and building closures as well as significant impacts on public health, vulnerable residents and the local and national economy, although the situation is now improving due to the vaccination rollout. These impacts are expected to affect both the Council's service provision and finances for at least the next year and will also impact on the Council's annual accounts for 2020/21, especially in relation to the need for separate accounting for COVID related expenditure & grants. Further details of the Council's response can be found on page 24 of this document.</p> | <p>The Crisis Resilience Management Team and CMT continued to meet several times each week, with most buildings closed and staff working from home where possible. The Council's emergency powers in place from 23 March 2020 came to an end during the summer of 2020 and virtual committee and Council meetings resumed. Updated business continuity plans remain in place, as do enhanced communications and joint working locally and nationally. Risk registers have been established for both the response and recovery phases of the crisis and additional costs and Government funding are being closely monitored. The Council is taking the anticipated longer term impact of the pandemic into account in framing its medium to long term financial plans</p> |
|--|--|

The Council's financial and outcome delivery plans are being updated to take account of the above risks and revised budgets, savings proposals and service plans will be agreed as the Council is approaching these difficulties as a part of a longer term financial strategy. This is set out in the Financial Planning paper approved by the Council on 25 February 2021 as part of the annual budget: [Financial Planning 2021-2027 https://www.eastrenfrewshire.gov.uk/media/4634/Council-item-7-25-February-2021/pdf/Council_item_7_-_25_February_2021.pdf?m=637493314526170000](https://www.eastrenfrewshire.gov.uk/media/4634/Council-item-7-25-February-2021/pdf/Council_item_7_-_25_February_2021.pdf?m=637493314526170000)

This strategy is characterised through factors including making spending decisions based on an assessment of medium to long-term needs and consequences and seeking to avoid taking a short-term outlook in its policy making, service planning and budget setting decisions; the agreement of multi-year budgets wherever possible; applying savings early and as soon as measures are identified; and ensuring that the Council priorities and the budget process remain aligned. The Council has also actively reviewed its reserves and factored some utilisation of these into its plans to address future financial difficulties in addition to considering the use of available fiscal flexibilities.

In completing the Annual Accounts the Council has made certain judgements about complex transactions and those involving uncertainty about future events. The Balance Sheet also contains estimates that are based on assumptions made about the Council regarding the future or that are otherwise uncertain. Where these judgements or estimates could potentially impact materially on the Annual Accounts they are listed in notes 6 and 7, however professional findings have been taken into account in order to mitigate any potential impact.

Risk Appetite

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

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



Management Commentary (cont'd)

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

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

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

4. Supplementary Information

Private Finance Initiative/Public Private Partnership & Similar Contracts

The Council has two Private Finance Initiative contracts. The first, signed on 20 April 2000, is for the provision of school facilities for 25 years ending July 2026 and the second, signed on 30 April 2003, is for the construction and maintenance of the Glasgow Southern Orbital Road and the M77 extension for the 30 years ending April 2035. On 10 December 2004 the Council also signed a Public Private Partnership contract for the provision of further new and extended school facilities for the 25 years ending July 2031. On 21 March 2016 the Council signed a 25 year contract, ending August 2042, for the construction and maintenance of a replacement Barrhead High School delivered under the Scotland’s Schools for the Future programme non-profit distributing (NPD) model. More recently, in January 2020 the Council entered into a 25 year contract for waste recycling which utilises residual waste to obtain thermal gain. Details of all 5 projects are provided in Note 35 to the core financial statements. As we approach the end of the first PFI schools contract period we are making preparations for the transition of these services back to Council operations.

Group Accounts

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

The inclusion of these entities in the Council’s Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group



Management Commentary (cont'd)

Balance Sheet increases the Council's net worth by £22.041m. Details of these interests are listed within the notes to the Group Accounts.

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

Events During 2020/21

Core Systems

As part of its Modern Ambitious Programme (MAP) the Council planned to replace its core financial, payroll and human resources systems. A multi-disciplinary team including stakeholders from all services was established in summer 2018 to deliver this project. The Council's new financial ledger system was successfully implemented in November 2019 and subsequent phases are now being delivered to offer increased functionality and efficiencies. The Council's new Human Resources (HR) and payroll system was also scheduled to go live at the end of March 2020, but the Covid-19 pandemic prevented this from happening as social distancing and lockdown measures impacted on the availability of consultants and staff. The new HR/payroll system was successfully launched in December 2020. In addition, the new Council Tax and Benefits system was successfully implemented in December 2020, 3 months later than scheduled due to Covid-19. This project was led by a dedicated project team and managed through the Project Management Office (PMO). Progress on all MAP projects is regularly reported to the Council's Corporate Management Team and will help the Council deliver its efficiency savings and transformation objectives. An update on the Core Systems programme was also considered by Cabinet in December 2020.

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.

Loans Fund Repayments

In agreement with legislation allowing Council's to vary loans fund repayments for advances based on prudent principles, the Council has reviewed the loans fund and incorporated planned changes to the repayments schedule ensuring that each year's repayment amount is reasonably commensurate with the period and pattern of benefits.

Covid-19 Response

During the year the Council incurred £14.43m of covid-19 related expenditure (excluding grants provided as an agent for the Scottish Government), which was fully funded through Government Grants. Where this funding could be identified to a department then this was allocated accordingly, however where the funding was not ring-fenced it was included within the *Taxation and non-specific grant income* line in the Comprehensive Income and Expenditure Statement.

The Council also acted as agent for the Scottish Government in making various support payments & donations to local businesses & residents and these costs along with the funding received are not reflected in the Consolidated Income & Expenditure Statement. In this respect the Council provided contributions totalling £21.15m which were covered fully by Government funding.



Management Commentary (cont'd)

In addition, although not required in 2020/21, as part of the fiscal flexibilities granted to Councils, £1.92m of capital receipts have been earmarked within the Capital Grants & Receipts Unapplied Reserve to address potentially unfunded Covid-19 pressures in 2021/22. Should this not be required, any balance in the Reserve as at 31 March 2022 will be transferred to the Capital Reserve.

Events after the Balance Sheet Date

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

COVID-19

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

On the 28th May the Scottish Government introduced a 4 phase recovery programme and the Council moved from lockdown to phase 1 which meant that the work of the Council developed into a mix of response to the virus and the recovery of services in line with the Scottish Government guidance. This resulted in the emergency committee standing down and the Council reverting to a full complement of Council meetings which were held remotely. However as the number of Covid-19 cases in East Renfrewshire increased the Council moved down to phase 3 of the recovery programme.

On 2 November a new protection level system was introduced by the Scottish Government. There were 5 levels in the new system ranging from the level with least restrictions (level 0) to that with the most stringent restrictions (level 4). Initially the Council was placed in level 3 however as the pandemic continued to take hold the Council was moved to level 4, along with a number of other areas in Scotland's central belt.

The roll out of the covid-19 vaccines began in December 2020 which together with the restrictions in place resulted in the reduction of reported cases and relaxation to the restrictions began in March 2021. However numbers are continually monitored as new strains of the virus emerge.

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

New Initiatives

The Council and the Health & Social Care Partnership (HSCP) worked with and supported Voluntary Action East Renfrewshire (VAER) to establish a Community Hub connecting vulnerable and isolated households to a range of community supports (e.g. shopping service; welfare calls; prescription deliveries; and digital support) many of which are delivered by volunteers.

The Council was also asked by the Government to establish support arrangements for vulnerable local people including a 'shielding' service to support those with the most high risk medical conditions who were advised by the Chief Medical Officer to stay at home for at least 12 weeks in letters sent from 24 March 2020.



Management Commentary (cont'd)

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

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

Support arrangements and call-handling remained in place throughout 2020/21 for both shielded residents, although government advice to them has continued to develop, and anyone in need of support across East Renfrewshire. Councils were also asked to provide isolation support for anyone who had tested positive for COVID-19, to encourage people to stay at home – this has included daily proactive outbound calls to those whose details have been passed to the Council by Public Health Scotland. This service is due to stay in place at least until the end of June 2021.

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

The Council has also been responsible for various funding streams associated with financial hardship and support for isolation, with significant further funding available in 2021/22 which is currently being planned. A range of hardship payments to vulnerable families has also been implemented including a winter payment in December 2020, spring payment in April 2021, and further payments of various types required in summer and winter 2021.

Impact on Services

On 20 March the Scottish Government announced that all schools and nurseries would be closed and the Council closed most other public buildings on 27 March. To support key workers and our most vulnerable children and young people, hub schools were set up across the Council. Working with *out of school* care providers and East Renfrewshire Culture and Leisure Trust, hub provision was also provided during school holidays. Pupils receiving free school meals before the lockdown continued to be supported. Closure of educational establishments impacted on income from areas such as school meals, wraparound care, instrumental music lessons and the sale of spare capacity on school transport (privilege passes). All school trips scheduled throughout 2020/21 were affected and the issue of parental refunds was addressed at an early stage by the approval of robust procedures in June 2020.

Throughout the year there have been extended periods of closure for schools and nurseries due to the impacts of the Covid-19 pandemic. Throughout the periods of closure, geographical hubs were established to support the childcare of key workers and children from more vulnerable households.

In planning for the reopening of schools/nurseries, implications of ongoing social distancing requirements including, for example, additional cleaning throughout the school day and new arrangements for school meal provision emerged. This has impacted on the delivery of approved savings as well as leading to significant new cost pressures.

As well as Scottish Government support to address the additional cost pressures associated with the safe re-opening of educational establishments funding was also provided to support our most vulnerable children and young people through the provision of free school meals during school holiday periods and a Winter and Spring Hardship payment for eligible pupils.



Management Commentary (cont'd)

In addition funding to support Education recovery and Digital Inclusion has been provided which is being utilised to employ additional temporary staff as well as the provision of digital devices to support remote learning where required.

East Renfrewshire Council has also administered the Transitional Support Fund for Childcare providers.

The pandemic significantly affected how health and social care was provided to the most vulnerable in our community. The HSCP put in place its initial planning including a Local Resilience Management Team on 11 March 2020 and took early decisions to prioritise services, by adapting the Health and Care Centres that remained open, and by working with our partner organisations to ensure that appropriate levels of care and support were in place in our community. Throughout the pandemic our focus has remained on continuing to provide essential care and support to those identified as most vulnerable or in the greatest need, with arrangements put in place for ongoing contact (by telephone, online or periodic visits) for those requiring lower levels of support. During the crisis period, the HSCP enhanced its collaborative working arrangements with partner providers, the third sector and community groups to ensure effective support continued in the community. Support to care homes was increased through daily contact with managers to discuss the issues they faced, gather information on the impact of Covid-19, and support joint working across care homes. Care homes were given priority access to medication and provided with additional care home liaison nursing, occupational therapy and social work review support. The HSCP provided support with testing, dealing with outbreaks, and extra support for complex clinical where required.

New services were also set up including a Personal Protective Equipment (PPE) Distribution Hub and a Community Assessment Centre. A mobilisation plan was produced which detailed local responses to the pandemic within East Renfrewshire and also took account of the impact across NHS Greater Glasgow and Clyde. As we moved through the initial emergency phase of the pandemic, services developed (and continue to review) their own recovery and resilience plans setting out key milestones.

A significant role for the HSCP during the pandemic has been the local delivery of the flu and Covid-19 vaccination programmes. Over an eight week period between September and November 2020 over 900 flu vaccinations were given to housebound residents, an increase of 100% on the same period in 2019. Through our Community Nursing teams we have been delivering Covid-19 vaccines for older housebound and care home populations.

The impact of this pandemic will have longer term implications for the way the HSCP delivers some of its services and work has started to scope this through our recovery and renewal planning and implementation of our interim Strategic Plan for 2021-22 agreed by the Integration Joint Board in March 2021. Work is ongoing to develop our full three year Strategic Plan where we will review our strategic needs assessment in light of the pandemic and develop our strategic priorities taking into account the lessons learned and changing needs and expectations of local residents.

East Renfrewshire Culture & Leisure Trust closed its venues and services to the public from 18th March 2020 in line with government restrictions. Throughout closure, the Trust has continued to support ERC in the provision of facilities and services including operating the Humanitarian Food Hub and providing holiday camp activities for vulnerable children and children of Key Workers. The 2 main sports venues are also currently being operated as mass vaccination centres, while the Trust is also staffing the Asymptomatic Testing Centre, and delivering an activity programme for vulnerable young people in partnership with Social Work. Out with collaboration work with ERC, during its period of closure, the Trust has accessed the Coronavirus Job Retention Scheme for the majority of its staff.

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



Management Commentary (cont'd)

additional Scottish Government funding are being sought, however currently reserves are sufficiently strong which provides an element of comfort for the HRA.

Furthermore, the Council's Capital Programme was severely impacted by the pandemic both in terms of costs and timescales. In response to the operating conditions the Council found itself in, a report was made to Corporate Management Team (CMT) outlining the priority projects to be continued and the projects which could be deferred into future years. Additionally, social distancing impacted upon productivity and some supply constraints also caused delays and only new CPA's (Capital Programme Appraisals) of significant importance were considered for the new financial year. Looking forward it is anticipated that ventilation works in schools will dominate the year's work in 2021/22. The Council will continue to monitor the effects of covid-19 on the capital programme and report the impact of any additional costs on future plans.

Support provided to businesses

To help support local businesses the Scottish Government provided additional funding, managed by local Councils. This included the relaxation of Non Domestic Rate payments for retail, hospitality and leisure properties for a period of one year and the provision of grants to small businesses and to those that have recently registered as being self-employed. During the year the Council distributed £19.481m of such grants to local businesses, along with free Personal Protective Equipment.

The Council continues to show commitment to supporting local suppliers and partner providers by following the Governments procurement guidance (Scottish Procurement Policy Note 4 & 5. Construction Policy Note 3 & 4) and in the context of supporting supply chain resilience during the pandemic and helping to boost economic recovery. In addition to this and for existing contracts supplier engagement was undertaken to understand the specific pressures faced and to identify potential solutions on a case-by-case basis. For new procurements stakeholder engagement was undertaken to understand if the requirement is essential, and that the marketplace is able to submit a response which is sustainable over the life of the contract.

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

Risks

In order to monitor the risks associated with the pandemic, the Corporate Management Team has included COVID-19 risks in the Corporate Risk Register which it reviews weekly. The greatest threats identified include impact on educational attendance and attainment, disruption to leisure services and income streams, and difficulty in providing routine services due to staff absence or reassignment to pandemic response work.

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

The issues in terms of workforce availability and confidence were crucial. The Human Resources Case Management team worked with members of the Environment Business Intelligence team to create an Absence Dashboard which allowed managers to access information on who in their team was affected due to the illness, was self-isolating and had underlying health conditions. Managers updated this data on a daily basis to allow assessments of the workforce to be made, to understand the implications for delivering essential services and also to maintain contact and support for those unable to attend work. Collation of absence information at a national level helped to inform discussions between senior leaders in the Society of Local Authority Chief Executives (SOLACE), the



Management Commentary (cont'd)

Convention of Scottish Local Authorities (COSLA) and the Scottish Government regarding the impact of Covid-19 on service provision, and the key staffing issues that require some form of national consideration.

The absence rate as a result of Covid-19 including employees reporting sick, isolating, absent with caring responsibilities and non-essential employees at home unable to work from home averaged just below 10% of the total workforce in March 2020 and a year later in March 2021 this had reduced to just under 2%. During the year staff absence as a result of Covid-19 was monitored very closely to ensure continuation of critical frontline services during these difficult times.

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

In addition, work has continued proactively across the Council to understand PPE stock usage ensuring adequate contingency and preparedness for immediate response whilst working closely with our suppliers and key partners such as Scottish Government, Scotland Excel, SOLACE Scotland, NHS, National Support Services (NSS) and COSLA.

Funding

Government funding to assist Councils in responding to the outbreak has been announced throughout the last year and this was sufficient to cover the additional revenue costs incurred during 2020/21 as a result of the pandemic. There is, however, a risk that pressures facing Councils in 2021/22 and beyond may not be fully funded by Government grants. These pressures include additional costs incurred, reductions in income generated and planned savings no longer achievable as a direct consequence of the pandemic and of the longer term operational and economic recovery process. Whilst Councils have been given additional fiscal flexibility powers to cover any such financial shortfalls, these will result in increases in loans fund repayments in future years. The position is being closely monitored and budget plans for 2021/22 and beyond have been reviewed accordingly, together with the Council's policy for the utilisation of reserves. As national core funding announcements were delayed and the multi-year grant settlements anticipated from the Scottish and UK Governments from 2021/22 onwards were not confirmed this year, the Council reviewed its planned approach of setting a detailed 3 year budget and instead set a single year budget for 2021/22. It is hoped that multi-year settlements will resume from 2022/23 and that the Council will revert to 3 year budget setting at that point. Nevertheless, the Council continues to take a long term view of its finances, setting its Outcome Delivery Plans for a 3 year period, considering its 6 year forward revenue planning position and publishing its capital plans for at least the next 10 years.

Restoring the Council

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

The outlook for future service provision will be impacted over a prolonged period, as the vaccine is rolled out. Social distancing must be maintained and the range of Council services only gradually restored as Safe Systems of Working are identified and implemented. Building capacity will be significantly reduced and restrictions will be imposed on how many staff or pupils can access offices or schools at once. Staff able to work from home have been doing so for the last year so as to prioritise



Management Commentary (cont'd)

buildings for critical services and this has been operating successfully thanks to increased reliance on ICT equipment and digital capability. The CMT, CRMT and Recovery & Renewal Groups have taken this experience into consideration and are factoring this into plans for a new way of working in future which is less reliant on all staff attending at offices each day. Additional demands on the Council in supporting our most vulnerable residents during the pandemic will also continue into the future until all impacts of the pandemic have been resolved for local residents and businesses. This will mean ongoing pressure on both staff and financial resources

5. Where to Find More information

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

On Our Website - Further information on the Accounts can be obtained on the Council's website <https://www.eastrenfrewshire.gov.uk/how-we-spend-money> or from Accountancy Services, Council HQ, Eastwood Park, Rouken Glen Rd, Giffnock G46 6UG. All links referred to in the accounts are not subject to External Audit Scrutiny.

Acknowledgement

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

Margaret McCrossan CPFA
Head of Accountancy
(Chief Financial Officer)

Councillor Tony Buchanan
Leader of the Council

Lorraine McMillan
Chief Executive



Statement of Responsibilities

PURPOSE: This statement sets out the Council's responsibilities and those of the Chief Financial Officer

The Council's Responsibilities:

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the Council has responsibility for the administration of those affairs (Section 95 of the Local Government (Scotland) Act 1973). In this Council, that officer is the Head of Accountancy (Chief Financial Officer)
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (Section 12 of the Local Government in Scotland Act 2003)
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Council on 25 November 2021

Signed on behalf of East Renfrewshire Council
Councillor Tony Buchanan
Leader of the Council
25 November 2021

The Head of Accountancy (Chief Financial Officer) Responsibilities

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

In preparing Annual Accounts, the Head of Accountancy (Chief Financial Officer) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates on a reasonable basis;
- complied with legislation;
- complied with the Accounting Code (in so far as it is compatible with legislation)

The Head of Accountancy (Chief Financial Officer) has also:

- kept proper accounting records which were up to date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities;

I certify that the financial statements give a true and fair view of the financial position of East Renfrewshire Council and its group at the reporting date and the transactions of the Council and its group for the year ended 31 March 2021.

Margaret McCrossan, CPFA,
Head of Accountancy (Chief Financial Officer)
25 November 2021



Annual Governance Statement 2020/21

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

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

The Code is built around these seven principles:

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

An update on progressing the actions from the previous version of the Code of Corporate Governance has been undertaken. An update on this is available on the Council website or via this [link \(https://www.eastrenfrewshire.gov.uk/code-of-corporate-governance\)](https://www.eastrenfrewshire.gov.uk/code-of-corporate-governance). For further information, contact the Strategic Services Team, Eastwood Headquarters, Rouken Glen Road, Giffnock, Glasgow G46 6UG (Telephone 0141 577 3162/3075).

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

Compliance

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

2020/21 was a 'shadow year' for the implementation of the new CIPFA Financial Management Code 2019, a key goal of which is to improve the financial resilience of organisations by embedding enhanced standards of financial management. The Chief Financial Officer undertook an initial assessment of compliance with the FM Code and is satisfied that its governance and processes satisfy the principles of good financial management as outlined in the Code. The Council continues to address all of the relevant requirements through reports to members; CMT considerations; arrangements for budget setting; Outcome Delivery Planning; Community Partnership Planning; long term financial planning; Capital Investment Strategy; Capital Project Appraisals and other option appraisals; transformation planning (Modern Ambitious Programme); Council values; and performance review arrangements

We have put in place the appropriate management and reporting arrangements to ensure our approach to corporate governance continues to be adequate and effective in practice.



Annual Governance Statement 2020/21 (cont'd)

The purpose of the governance framework

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

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

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

The system includes –

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

A governance framework has been in place at East Renfrewshire Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

Impact of Covid-19

The Council's ability to deliver on our objectives continues to be impacted by the Covid-19 pandemic.



Annual Governance Statement 2020/21 (cont'd)

In line with Covid restrictions and to protect key officers, Committees and key meetings continue to take place remotely; enabling key decisions to be made.

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

- Support the Mass Vaccination and Testing programmes
- Are life & limb critical
- Support a life & limb protection
- Support NHS activity
- Protect the most vulnerable community members

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

The requirements of supporting vulnerable community members and those carrying out self-isolation has witnessed significant levels of engagement and support offered to thousands across East Renfrewshire. Our Education establishments have flexed to the challenge of supporting key workers and vulnerable children across the area, and provide online learning for other pupils during enhanced Covid restrictions. All services have faced challenges and pressures, arising from staff self-isolating, social distancing or working from home.

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

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

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

Review of effectiveness

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

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



Annual Governance Statement 2020/21 (cont'd)

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

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

The results of Internal Audit's progress against the annual plan for 2020/21 was reported to the Audit and Scrutiny Committee in September 2021. Due to changing circumstances caused by Covid lockdowns, the plan was revised twice during the year in August 2020 and February 2021. The revisions resulted in a significant reduction in the number of audits that could be carried out however priority was given to the audits which would give most assurance that internal controls continued to operate satisfactorily. Most audits which were deleted from the 2020/21 plan have now been included within the 2021/22 internal audit plan for completion. The exceptions to these are a few where they are deferred to a future year for various reasons such as a continuing difficulty to complete while staff are largely working remotely (NDR), some where the risk is lower during periods of remote working due to less incidence (maximising attendance, travelling and subsistence), alternative external review carried out (Health and Safety) and new system due to be implemented soon (housing allocations).

One area of concern however was noted in the Internal Auditor's annual report relating to an investigation where the matter was brought to a conclusion and recommendations were made to the relevant director on how to improve controls. This case involved significant potential cost or loss to the Council but due to this issue having been passed to Police Scotland and still being under investigation, no further information has yet been provided to the Audit and Scrutiny Committee.

During 2020/21 the internal audit service operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards. The internal audit arrangements comply with the governance requirements of the CIPFA statement: 'The Role of the Head of Internal Audit in Public Organisations (2019)'. The Chief Internal Auditor's opinion as reported to the Audit and Scrutiny Committee, confirmed: "Owing to Covid19 and the resultant enforced remote working from March 2020 onwards, completing audits from the 2020/21 audit plan became particularly challenging for the audit team and the plan had to be revised twice during the year. All revised planned 2020/21 audits have been completed with the exception of two audits for which the work has been completed but the final report has yet to be issued. It is therefore my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's framework of governance, risk management and internal control for the year ended 31 March 2021 except for the area still under investigation by Police Scotland."

Progress against actions from the 2019/20 plan

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

- Vision for the Future will now be developed in tandem with conversations on the theme of 'renewal' post-COVID and the document itself will iterate over time as the context shifts over the next months.
- The new payroll and HR system went live in November 2020 with the first pay processed in December. Parallel runs were undertaken to ensure that payroll payments were replicated in



Annual Governance Statement 2020/21 (cont'd)

the new system before and after go-live with checks on basic pay and allowances. The new system has an audit module which when set-up will allow appropriate oversight of transactions within the system. External Audit work around review and testing of the system has been reported to management and is being presented to the September Audit and Scrutiny Committee meeting

- Implementation of new Council Tax and Benefits ICT system in December 2020, one of the first projects to utilise new service design and user engagement techniques. A new Council Tax and Benefits customer portal, accessed through mygov.scot has not yet gone live and has been delayed due to other priorities. It is expected to go live later this financial year, assuming all goes well with customer testing and implementation
- New digital transformation strategy 2021-24 themes developed including a focus on customer experience; business systems and processes and optimising workforce productivity through Office 365 capabilities.
- A new programme reporting approach to Capital Project monitoring has been implemented, providing senior management and project leads with more regular updates on the progress of individual projects and the overall capital programme, making better use of corporate reporting tools, and improving information and accessibility to real time capital reporting data on the financial management system
- Equality & Human Rights outcomes and progress report prepared, with community engagement, and was reported to Cabinet on 28 April 2021.
- The Council's planned Community Choices participatory budgeting events, where local communities have the chance to vote on schemes/groups/projects in their local area, has not been progressed due to the impact of the pandemic. These events are now planned to take place between January and March 2022
- The data programme is making good progress in information governance, data protection and information security, which are critical legal responsibilities and also an essential foundation for building future Office 365 potential. This year has demonstrated the potential of data in terms of dashboarding, mapping and reporting of the impact of the pandemic locally and helping to proactively meet the needs of vulnerable residents such as those shielding. This year has seen completion of a contracts register which will give managers a single view of all contracts including timeline, spend, value, and procurement route.

Other key achievements during 2020/21

- Reconfiguration of a number of services to a digital first or digital only approach, including digital learning for school pupils. Increased demand for online services and a significant increase in employees working from home.
- Significant volume of work undertaken to build processes to facilitate business grant and financial hardship payments as a result of the pandemic.
- Project prioritisation exercise undertaken for the Modern, Ambitious Programme (MAP)

Significant governance matters

Through assurance statements provided by the directors there was a disclosure that *"There have been instances of non-adherence to Contract Standing Orders in relation to capital projects"*, in particular with regard to the Early Learning and Childcare project and the City Deal Balgraystone



Annual Governance Statement 2020/21 (cont'd)

Road Project. These were reported to cabinet in Dec 2020 and Jan 2021 and extensive training on contracts and procurement was arranged.

Key actions planned relating to governance for 2021/22

- Risk Management Strategy will be reviewed and updated to ensure that it continues to meet the needs of the Council.
- Marketing campaign to raise awareness about the new complaints handling procedure and processes. Delivery of training programme to support efficient complaints handling via the new customer experience management system (GOSS).
- Implement new Equality & Fairness Impact Assessment process and creation of a central repository of all completed Impact Assessments on council webpage
- Review and update workforce plan
- Roll out the replacement Information Asset Register (IAR) application, with a focus on: identifying IAR users across departments; reviewing and building on Third Party sharing guidance
- Development of the Climate Change Strategy and Action Plan

Statement on the role of the Chief Financial Officer in Local Government

Under the Code we are required to state whether we comply with the CIPFA statement on the role of the Chief Financial Officer in Local Government and, if not, to explain how our governance arrangements deliver the same impact. The full statement is:-

The Chief Financial Officer in a public service organisation:

- Is a key member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the Council'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 Council's financial strategy; and
- Must lead the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

To deliver these responsibilities the Chief Financial Officer:

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

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



Annual Governance Statement 2020/21 (cont'd)

Assurance

We consider that the governance and internal control environment operating during 2020/21 provided reasonable and objective assurance that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken.

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

Cllr Tony Buchanan
Leader of the Council

L. McMillan
Chief Executive
On behalf of East Renfrewshire Council



Remuneration Report

Remuneration Report

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

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

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

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

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

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

The salary that is to be paid to the Leader of the Council is set out in the Regulations. From 1 April 2020 the maximum annual salary for the Leader of East Renfrewshire Council was £29,760. 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 £180,783. 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.

In 2020/21 East Renfrewshire Council had 8 Senior Councillors, which is one less than the maximum number permitted within the regulations, and the annual remuneration paid to these councillors totalled £178,560. 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 approved by the Scottish Government on 13 February 2020.



Remuneration Report (cont'd)

2. Remuneration Policy for Senior Employees

The annual pay awards are determined at a national level within the framework of the Scottish Joint Council (SJC) for Local Government Employees and within the framework of the Scottish Negotiating Committee for Teachers (SNCT) for teachers and associated professionals. The SJC has representatives from Local Authorities (COSLA representing Employers side) and Trade Unions (Employee side represented by GMB, Unison and Unite). The SNCT is a tripartite body comprising members from Local Authorities (COSLA representing Employers side), Trade Unions (Employee side represented by EIS, NASUWT, SSTA and VOICE) and Scottish Government.

Any changes proposed to local terms and conditions that would affect remuneration require to be taken to East Renfrewshire Cabinet for approval. The membership of Cabinet is all Elected Members on the administration

3. Remuneration of Senior Employees

The Local Authority Accounts (Scotland) Regulations 2014 provides definitions of a “senior employee” as those who have responsibility for management of the local authority, the Council has interpreted this guidance to include the Chief Executive and those staff reporting directly to the Chief Executive. In addition, the guidance states that the Chief Executive of any subsidiary body should also be included, and in this regard the Chief Executive of East Renfrewshire Culture & Leisure Trust, whose salary is set by the Trust’s Board, has been included. The regulations also state that those who hold posts that are politically restricted should be included and to this effect the Council’s Chief Social Work officer has been included. The remuneration paid to senior employees, including additional payments for election work, is set out in the following table. Generally senior employees are reimbursed for election work within the relevant financial year, however, payments made to the Chief Executive are phased as indicated below:-

| | |
|---------|---|
| 2019/20 | European Parliamentary Elections, 23 May 2019 (75%) UK Parliamentary Elections, 12 December 2019 (75%) |
| 2020/21 | European Parliamentary Elections, 23 May 2019 (25%) |

**Remuneration Report (cont'd)**

| | | Salary, Fees and Allowances | Election work | Compensation for loss of office | Taxable Expenses and Allowances | Total |
|--|--------------------|-----------------------------------|------------------|---------------------------------------|--|--------------------|
| | | £ | £ | £ | £ | £ |
| Lorraine McMillan (Chief Executive) | 2020/21 2019/20 | 123,255 119,679 | 825 5,003 | - - | - - | 124,080 124,682 |
| Mhairi Shaw (Director of Education retired 31.10.20. Full Year equivalent Salary was £112,581) | 2020/21 2019/20 | 65,785 109,321 | - - | - - | - 4 | 65,785 109,325 |
| Mark Ratter (Director of Education commenced 01.11.20. Full Year equivalent salary was £112,581) | 2020/21 | 46,795 | - | - | - | 46,795 |
| Julie Murray * (Chief Officer of East Renfrewshire Integration Joint Board) | 2020/21 2019/20 | 114,269 110,954 | - - | - - | - - | 114,269 110,954 |
| Kate Rocks * (Chief Social Work Officer) | 2020/21 2019/20 | 91,492 88,997 | - - | - - | - - | 91,492 88,997 |
| Andrew Cahill (Director of Environment) | 2020/21 2019/20 | 112,581 109,315 | - - | - - | - - | 112,581 109,315 |
| Margaret McCrossan (Head of Accountancy/ Chief Financial Officer) | 2020/21 2019/20 | 100,385 97,473 | - 230 | - - | - - | 100,385 97,703 |
| Caroline Innes (Deputy Chief Executive) | 2020/21 2019/20 | 112,581 109,315 | - 355 | - - | - - | 112,581 109,670 |
| Gerry Mahon (Chief Officer – Legal and Procurement) | 2020/21 2019/20 | 79,479 77,166 | - 355 | - - | - - | 79,479 77,521 |
| Michelle Blair (Chief Auditor) | 2020/21 2019/20 | 56,875 55,225 | - 405 | - - | - - | 56,875 55,630 |
| Anthony McReavy (Chief Executive Culture & Leisure Trust) | 2020/21 2019/20 | 87,291 84,759 | - - | - - | - 10 | 87,291 84,769 |

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



Remuneration Report (cont'd)

4. Remuneration of Senior Councillors

| Name (A) | Position Held (B) | Notes | Salary - Payments made by Council | | | Re-imbusement of Members Expenses | | | | | | | Total Salary Expenses 2020/21 (E + M) (N) £ | Total Salary Expenses 2019/20 (O) £ | |
|------------------|--|-------|-----------------------------------|---|------------------------------|--|---|--|--|--|---|---|--|--|----------------------------------|
| | | | Gross Allowance (C) £ | Less Recharge to External Bodies (D) £ | Net Allowances Paid (E) £ | Car & Van Expenses - Reimbursed (F) £ | Other Travel Expenses - Reimbursed (G) £ | Other Travel Expenses Paid Directly (H) £ | Subsistence & Meals Expenses Reimbursed (I) £ | Training & Conference Expenses Reimbursed (J) £ | Training & Conference Expenses Paid Directly (K) £ | Telephone & ICT Expenses Paid Directly (L) £ | | | Total Expenses (F to L) (M) £ |
| Buchanan | Leader of the Council | | 29,760 | 0 | 29,760 | | | | | | | 139 | 139 | 29,899 | 29,933 |
| Convery | Chair of Licensing Committee | | 22,320 | 0 | 22,320 | | | | | | | 64 | 64 | 22,384 | 21,906 |
| Cunningham | Deputy Provost | | 22,320 | 0 | 22,320 | | | | | | | 249 | 249 | 22,569 | 22,020 |
| Devlin | Convener for Housing & Maintenance Services | | 22,320 | 0 | 22,320 | | | | | | | 767 | 767 | 23,087 | 22,189 |
| Fletcher | Provost | 2 | 22,320 | 0 | 22,320 | | | 3,058 | | | | 237 | 3,295 | 25,615 | 25,048 |
| Ireland | Chair of Planning Applications/Local Review Body | | 22,320 | 0 | 22,320 | | | | | | | 64 | 64 | 22,384 | 21,914 |
| Lafferty | Convener for Environment | | 22,320 | 0 | 22,320 | | | | | | | 230 | 230 | 22,550 | 22,055 |
| Merrick | Convener for Community Services and Community Safety | | 22,320 | 0 | 22,320 | | | | | | | 45 | 45 | 22,365 | 21,949 |
| Miller | Chair of Audit Committee | | 22,320 | 0 | 22,320 | | | | | | | 80 | 80 | 22,400 | 21,925 |
| O'Kane | Convener for Education and Equalities | 1 | 22,320 | 0 | 22,320 | | | | | | | 60 | 60 | 22,380 | 22,523 |
| Sub total | Senior Councillors | | 230,640 | 0 | 230,640 | | | 3,058 | | | | 1,935 | 4,993 | 235,633 | 231,462 |
| | All other Councillors | | 142,832 | 0 | 142,832 | | | | | | | 190 | 1,544 | 1,734 | 144,566 |
| | Total | | 373,472 | 0 | 373,472 | | | 3,058 | | | | 190 | 3,479 | 6,727 | 374,347 |

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

1. Cllr O'Kane receives payment directly from Association for Public Service Excellence (APSE) in his position as the Chair of the Transport and Mechanical Services Group. For further details refer to www.apse.org.uk
2. East Renfrewshire Council leases a car for civic duties. The total cost of the car is £3,058.



Remuneration Report (cont'd)

5. Pension Entitlement

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

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

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

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

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

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

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

The tiers and scheme members' contribution rates for 2020/21 and 2019/20 are as follows:-

| Actual Pensionable pay | Contribution rate 2020/21 | Actual Pensionable pay | Contribution rate 2019/20 |
|--|------------------------------|--|------------------------------|
| On pensionable pay up to and including £28,309 | 7.2% | On pensionable pay up to and including £27,697 | 7.2% |
| On pensionable pay £28,310 to £38,108 | 8.7% | On pensionable pay £27,698 to £37,284 | 8.7% |
| On pensionable pay £38,109 to £45,186 | 9.7% | On pensionable pay £37,285 to £44,209 | 9.7% |
| On pensionable pay £45,187 to £59,884 | 10.4% | On pensionable pay £44,210 to £58,590 | 10.4% |
| On pensionable pay £59,885 to £81,659 | 11.5% | On pensionable pay £58,591 to £79,895 | 11.5% |
| On pensionable pay above £81,660 | 11.9% | On pensionable pay above £79,896 | 11.9% |

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

The pension entitlements of Senior Employees for the year to 31 March 2021 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)**

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

| Name and Post Title | In Year Pension contribution | | 2020/21 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2020 | |
|---|------------------------------|---------|-------------------------------------|----------|---|----------|
| | 2020/21 | 2019/20 | Pension | Lump Sum | Pension | Lump Sum |
| | £ | £ | £ | £ | £ | £ |
| Lorraine McMillan (Chief Executive) | 23,788 | 23,098 | 29,131 | 4,825 | 3,134 | 141 |
| Mhairi Shaw (Director of Education, retired 31.10.20) | 12,697 | 21,099 | 64,610 | 121,322 | 2,557 | 2,091 |
| Mark Ratter (Director of Education, commenced 01.11.20) | 9,031 | - | 39,821 | - | 39,821 | - |
| Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board) | 22,054 | 21,414 | 45,593 | 60,259 | 3,447 | 1,755 |
| Kate Rocks (Chief Social Work Officer) | 17,659 | 17,176 | 33,585 | 39,704 | 2,679 | 1,156 |
| Andrew Cahill (Director of Environment) | 21,728 | 21,099 | 61,280 | 108,450 | 3,873 | 3,159 |
| Margaret McCrossan (Head of Accountancy / Chief Financial Officer) | 19,374 | 18,812 | 57,235 | 104,840 | 3,530 | 3,053 |
| Caroline Innes (Deputy Chief Executive) | 21,728 | 21,099 | 58,284 | 99,461 | 3,797 | 2,897 |
| Gerry Mahon (Chief Officer – Legal and Procurement) | 15,339 | 14,893 | 32,823 | 45,499 | 2,433 | 1,329 |
| Michelle Blair (Chief Auditor) | 10,977 | 10,659 | 23,559 | 32,793 | 1,742 | 955 |
| Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust) | 16,847 | 16,358 | 9,629 | - | 1,913 | - |

**Remuneration Report (cont'd)****Senior Councillors**

The pension entitlements for Senior Councillors for the year to 31 March 2021 are shown in the table below, together with the contributions made by the Council to each Senior Councillor's pension during the year.

| Name and Post Title | In Year Pension contribution | | 2020/21 Accrued Pension Benefits | | Change in Accrued Pension Benefits since 31 March 2020 | |
|---|------------------------------|--------------|----------------------------------|---------------|--|---------------|
| | 2020/21 £ | 2019/20 £ | Pension £ | Lump Sum £ | Pension £ | Lump Sum £ |
| Cllr Buchanan – Leader of the Council | 5,744 | 5,620 | 6,191 | 1,600 | 737 | 46 |
| Cllr Convery – Chair of Licensing Committee | 4,308 | 4,215 | 1,773 | - | 478 | - |
| Cllr Cunningham – Deputy Provost | - | - | - | - | - | - |
| Cllr Devlin – Convener for Housing & Maintenance | 4,308 | 4,215 | 1,717 | - | 477 | - |
| Cllr Fletcher – Provost | 4,308 | 4,215 | 7,106 | 2,334 | 448 | (31) |
| Cllr Ireland – Chair of Planning Applications / Local Review Body | 4,308 | 4,215 | 1,773 | - | 478 | - |
| Cllr Lafferty – Convener for Environment | 4,308 | 4,215 | 5,547 | 1,648 | 519 | 15 |
| Cllr Merrick – Convener for Community Services and Community Safety | 4,308 | 4,215 | 1,773 | - | 478 | - |
| Cllr Miller – Chair of Audit Committee | 4,308 | 4,215 | 5,094 | 1,471 | 537 | 27 |
| Cllr O'Kane – Convener for Education & Equalities | 4,308 | 4,215 | 3,466 | - | 500 | - |

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



Remuneration Report (cont'd)

6. Remuneration of Employees

The Council'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 | 2020/21 | | | 2019/20 | | |
|---------------------|---------------------|-----------|-------|---------------------|-----------|-------|
| | Number of employees | | Total | Number of employees | | Total |
| | Teachers | Employees | | Teachers | Employees | |
| £50,000 - £54,999 | 109 | 20 | 129 | 100 | 24 | 124 |
| £55,000 - £59,999 | 67 | 12 | 79 | 65 | 24 | 89 |
| £60,000 - £64,999 | 26 | 8 | 34 | 31 | 13 | 44 |
| £65,000 - £69,999 | 24 | 2 | 26 | 14 | 2 | 16 |
| £70,000 - £74,999 | 3 | 4 | 7 | 3 | 2 | 5 |
| £75,000 - £79,999 | 3 | 2 | 5 | 4 | 3 | 7 |
| £80,000 - £84,999 | 1 | 8 | 9 | 1 | 10 | 11 |
| £85,000 - £89,999 | 1 | 1 | 2 | 1 | 4 | 5 |
| £90,000 - £94,999 | - | 2 | 2 | 1 | 1 | 2 |
| £95,000 - £99,999 | 2 | - | 2 | 2 | 3 | 5 |
| £100,000 - £104,999 | - | 2 | 2 | - | 1 | 1 |
| £105,000 - £109,999 | - | 1 | 1 | - | 4 | 4 |
| £110,000 - £114,999 | - | 1 | 1 | - | 1 | 1 |
| £115,000 - £119,999 | - | - | - | - | 1 | 1 |
| £120,000 - £124,999 | - | - | - | - | 1 | 1 |

7. Exit Packages

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

| (a) Exit packages Bands | (b) Number of Leavers | | (c) Cash Value | | (d) Notional CAY Value | | (e) Total cost of exit packages in each band | |
|------------------------------------|--------------------------|-----------|-------------------|------------------|---------------------------|----------------|---|------------------|
| | 2020/21 | 2019/20 | £ | £ | £ | £ | 2020/21 | 2019/20 |
| | | | 2020/21 | 2019/20 | 2020/21 | 2019/20 | | |
| £0-£20,000 | 2 | 65 | 3,191 | 99,875 | - | - | 3,191 | 99,875 |
| £20,001- £40,000 | 3 | 8 | 69,443 | 181,670 | 32,103 | 79,497 | 101,546 | 261,167 |
| £40,001- £60,000 | 1 | 8 | 55,441 | 378,370 | - | 17,471 | 55,441 | 395,841 |
| £60,001- £80,000 | - | 9 | - | 595,633 | - | 31,105 | - | 626,738 |
| £80,001- £100,000 | - | 1 | - | 47,579 | - | 46,469 | - | 94,048 |
| £100,001- £150,000 | - | 2 | - | 189,786 | - | 59,271 | - | 249,057 |
| >£150,001 | - | 2 | - | 257,353 | - | 80,830 | - | 338,183 |
| Total Cost included in CIES | 6 | 95 | 128,075 | 1,750,266 | 32,103 | 314,643 | 160,178 | 2,064,909 |

**Remuneration Report (cont'd)****8. Trade Union**

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

| Relevant union Officials – Non Teaching | |
|---|--------------------------------------|
| Number of employees who were relevant union officials from 1 April 2020 to 31 March 2021 | Full-time equivalent employee number |
| 1 | 1 |
| Percentage of time spent on facility time | |
| Percentage of time | Number of Employees |
| 0% | |
| 1-50% | |
| 51%-99% | |
| 100% | 1 |
| Percentage of paybill spent on facility time | |
| Total Cost of Facility Time | £49,047.83 |
| Total Wage Bill | £90,320,665.04 |
| Percentage of Wage Bill spent on facility time | 0.054% |
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100.000% |

| Relevant union Officials - Teaching | |
|---|--------------------------------------|
| Number of employees who were relevant union officials from 1 April 2020 to 31 March 2021 | Full-time equivalent employee number |
| 1 | 1 |
| Percentage of time spent on facility time | |
| Percentage of time | Number of Employees |
| 0% | |
| 1-50% | |
| 51%-99% | |
| 100% | 1 |
| Percentage of paybill spent on facility time | |
| Total Cost of Facility Time | £55,227.04 |
| Total Wage Bill | £76,507,916.46 |
| Percentage of Wage Bill spent on facility time | 0.072% |
| Time spent on paid trade union activities as a percentage of total paid facility time hours | 100.000% |

Councillor Tony Buchanan
Leader of the Council

Lorraine McMillan
Chief Executive



Comprehensive Income and Expenditure Statement

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

| Year Ended 31 March 2020 | | | Year Ended 31 March 2021 | | | |
|--------------------------------------|---------------------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure Restated * £000 | Gross Income Restated * £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 148,848 | (13,367) | 135,481 | Education | 171,487 | (15,056) | 156,431 |
| 118,069 | (67,380) | 50,689 | HSCP – Provision of Services | 134,047 | (81,534) | 52,513 |
| 35,359 | (9,269) | 26,090 | Environment | 36,545 | (6,351) | 30,194 |
| 20,958 | (14,530) | 6,428 | Corporate & Community – Community Resources | 21,095 | (14,548) | 6,547 |
| 419 | (164) | 255 | Chief Executive's Office | 429 | (114) | 315 |
| 4,723 | (3,557) | 1,166 | Other Expenditure & Income | 5,688 | (2,835) | 2,853 |
| 3,471 | (210) | 3,261 | Support Services – Chief Executive's Office | 3,463 | (268) | 3,195 |
| 14,840 | (2,165) | 12,675 | Support Services – Corp & Comm. | 14,096 | (53) | 14,043 |
| 3,212 | (854) | 2,358 | Support Services – Environment | 2,268 | (65) | 2,203 |
| 349,899 | (111,496) | 238,403 | Cost of general fund services | 389,118 | (120,824) | 268,294 |
| 18,285 | (12,562) | 5,723 | HRA | 16,201 | (13,211) | 2,990 |
| 368,184 | (124,058) | 244,126 | Cost of Services | 405,319 | (134,035) | 271,284 |
| | | (1,041) | Other operating expenditure (Note 12) | | | (1,892) |
| | | 13,258 | Financing and investment income and expenditure (Note 13) | | | 12,223 |
| | | <u>(254,578)</u> | Taxation and non-specific grant income (Note 14) | | | <u>(279,029)</u> |
| | | 1,765 | (Surplus) or Deficit on Provision of Services | | | 2,586 |
| | | (16,472) | (Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 25) | | | (8,112) |
| | | 80 | Impairment losses on non-current assets charged to the Revaluation Reserve (Note 25) | | | 788 |
| | | - | Surplus or deficit on revaluation of available for sale financial assets | | | - |
| | | <u>(59,748)</u> | Actuarial (gains)/losses on pension assets/liabilities (Note 25) | | | <u>20,704</u> |
| | | (76,140) | Other Comprehensive (Income) and Expenditure | | | 13,380 |
| | | (74,375) | Total Comprehensive (Income) and Expenditure | | | 15,966 |

*the restated figures in 2019/20 relate to the removal of internal charges within the Environment Department



Movement in Reserves Statement

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

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

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

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Capital Grants & Receipts Unapplied £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Total Authority Reserves £000 |
|---|--|--|---------------------------------------|--|---------------------------------------|---------------------------|----------------------------|----------------------------------|------------------------------|--|
| Balance at 31 March 2020 carried forward | (9,643) | (21,818) | (2,316) | - | (5,829) | (1,960) | (2,656) | (44,222) | (431,533) | (475,755) |
| Movement in reserves during 2020/21 | | | | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (1,630) | - | 4,216 | - | - | - | - | 2,586 | 13,380 | 15,966 |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | (16,562) | - | (2,239) | - | - | - | 159 | (18,642) | 18,642 | - |
| (Increase)/Decrease in 2020/21 | (18,192) | - | 1,977 | - | - | - | 159 | (16,056) | 32,022 | 15,966 |
| Net transfer to or from reserves | 16,165 | (13,776) | (1,882) | (1,920) | 1,593 | (9) | (171) | - | - | - |
| Balance at 31 March 2021 carried forward | (11,670) | (35,594) | (2,221) | (1,920) | (4,236) | (1,969) | (2,668) | (60,278) | (399,511) | (459,789) |
| | | | | | | | | | | |
| | | | | | | | | | | |
| Balance at 31 March 2019 carried forward | (10,554) | (19,049) | (1,718) | - | (6,581) | (1,950) | (3,835) | (43,687) | (357,693) | (401,380) |
| Movement in reserves during 2019/20 | | | | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (3,690) | - | 5,455 | - | - | - | - | 1,765 | (76,140) | (74,375) |
| Adjustments between accounting basis & funding basis under regulations (Note 10) | 2,301 | - | (6,053) | - | - | - | 1,452 | (2,300) | 2,300 | - |
| (Increase)/Decrease in 2019/20 | (1,389) | - | (598) | - | - | - | 1,452 | (535) | (73,840) | (74,375) |
| Net transfer to or from reserves | 2,300 | (2,769) | - | - | 752 | (10) | (273) | - | - | - |
| Balance at 31 March 2020 carried forward | (9,643) | (21,818) | (2,316) | - | (5,829) | (1,960) | (2,656) | (44,222) | (431,533) | (475,755) |



Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the Council 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 Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

| 31 March 2020 £000 | | Notes | 31 March 2021 £000 |
|-----------------------|-----------------------------------|-------|-----------------------|
| 728,256 | Property, Plant & Equipment | 15 | 731,566 |
| 234 | Heritage Assets | 16 | 234 |
| 289 | Intangible Assets | 17 | 172 |
| 262 | Investments | 19 | 255 |
| 729,041 | Long Term Assets | | 732,227 |
| 986 | Assets Held for Sale | 18 | - |
| 481 | Short Term Intangible Assets | | 481 |
| 497 | Inventories | | 1,049 |
| 16,208 | Short Term Debtors | 20 | 31,468 |
| 34,248 | Short Term Investments | | 7,999 |
| 39,329 | Cash and Cash Equivalents | 22 | 63,698 |
| 91,749 | Current Assets | | 104,695 |
| (3,190) | Bank Overdraft | 22 | (2,579) |
| (561) | Short Term Borrowing | | (383) |
| (4,864) | Finance Leases including PFI/PPP | 19 | (5,083) |
| (44,236) | Short Term Creditors | 23 | (49,993) |
| (209) | Provisions – short term | 24 | (590) |
| (53,060) | Current Liabilities | | (58,628) |
| (157) | Provisions – long term | 24 | (164) |
| (114,226) | Long Term Borrowing | 19 | (113,843) |
| (93) | Long Term Creditors | 23 | (93) |
| (83,837) | PFI/PPP Finance Lease | 19 | (78,712) |
| (87,594) | Defined Benefit Pension Liability | 39 | (119,443) |
| (6,068) | Capital Grant Receipts in Advance | 31 | (6,250) |
| (291,975) | Long Term Liabilities | | (318,505) |
| 475,755 | Net Assets | | 459,789 |
| (44,222) | Usable Reserves | 11 | (60,278) |
| (431,533) | Unusable Reserves | 25 | (399,511) |
| (475,755) | Total Reserves | | (459,789) |

Margaret McCrossan CPFA

Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 15th June 2021 and the audited financial statements were authorised for issue by the Head of Accountancy on 25 November 2021



Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the council.

| 2019/20 | | 2020/21 |
|-----------------|---|-----------------|
| £000 | | £000 |
| 1,765 | Net (surplus) or deficit on the provision of services | 2,586 |
| (9,599) | Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26) | (26,125) |
| - | - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| (7,834) | Net cash flows from Operating Activities | (23,539) |
| 21,678 | Investing Activities (Note 27) | 19,348 |
| (19,843) | Financing Activities (Note 28) | (20,789) |
| (5,999) | Net (increase) or decrease in cash and cash equivalents | (24,980) |
| (30,140) | Cash and cash equivalents at the beginning of the reporting period | (36,139) |
| (36,139) | Cash and cash equivalents at the end of the reporting period (Including Bank Overdraft) - (Note 22) | (61,119) |



Notes to the Accounts

1. ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council 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 2020/21 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

Accruals of Income and Expenditure

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

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

Cash and Cash Equivalents

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

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 Council's cash management.

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

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



Notes to the Accounts (cont'd)

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

Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council 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 Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy. In this respect East Renfrewshire have treated Strain on the Pension Fund payments as termination benefits.

Post- Employment Benefits

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

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

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

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Council. 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.



Notes to the Accounts (cont'd)

The Local Government Pension Scheme

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

- The liabilities of the Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.0% (based on the indicative rate of return on high quality corporate bonds).
- The assets of Strathclyde Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities - current bid price
 - unquoted securities - professional estimate
 - unitised securities - current bid price
 - property - market value

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

- Service cost comprising:

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

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

Gains/losses on settlements - the decrease in liabilities as a result of the Council entering into a transaction that eliminates all further legal or constructive obligation relating to the event, notwithstanding the financial guarantee (see Note 39) - credited to the Surplus on the Provision of Services in the Comprehensive Income & Expenditure Statement as part of Non Distributable Costs.

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

- Remeasurements comprising:

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

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

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



Notes to the Accounts (cont'd)

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Common Good & Trusts

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

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

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

Events after the Balance Sheet date

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

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

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



Notes to the Accounts (cont'd)

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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 Council 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.

Financial Assets

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

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

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

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

Expected Credit Loss Model

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

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

Fair Value Measurement

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



Notes to the Accounts (cont'd)

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

Level 1 - quoted prices (unadjusted) in active markets for identified assets or liabilities that the Council can access at the measurement date

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For example, PWLB loans, fixed or variable rate deposits (less than one year)

Level 3 - unobservable inputs for the asset or liability, e.g. PFI leases.

Government Grants and Contributions

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

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

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

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

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants & Receipts Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants & Receipts Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure or the General Fund, where the grant or contribution funds third party capital projects or covers covid pressures in 2020/21 and 2021/22 not met by government grants.

Business Improvement Districts

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

Heritage Assets

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



Notes to the Accounts (cont'd)

Statues

Six statues created by 19th century Eaglesham sculptor William Gemmel are housed in the former weaver's workshop. The workshop and contents were bequeathed to the Council and are reported in the Balance Sheet at market value, as at May 2017, provided by the international auctioneers and valuers, Bonhams.

Civic Regalia

The chains of office used by the Provost and his partner are collectively known as Civic Regalia and are symbols of the Council of the Civic Office which the Provost holds.

There are 5 chains held in total at the Council's Headquarters. They are reported in the Balance Sheet at insurance valuation which is based on market value as at May 2017.

Number Plate

The Council owns a private registration plate (HS 0) which is on the car which the Council uses for civic duties. The number plate is reported on the Balance Sheet at market value, as at March 2017, provided by Registration Transfers, the largest dealer in number plates in Britain.

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

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council 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 Council.

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 Council 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 Council's goods or services.

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

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

Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures requiring it to prepare group accounts. In the Council's



Notes to the Accounts (cont'd)

own single-entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned under either the FIFO or weighted average costing formulas.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the consideration allocated to the performance obligations satisfied based on the goods or services transferred to the service recipient during the financial year.

Leases

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

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

Property, Plant and Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Council 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 Council). 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 Council.

Assets are then carried in the Balance Sheet using the following measurement bases:



Notes to the Accounts (cont'd)

- Infrastructure, community assets and assets under construction - depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets - current value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV).

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value. Assets included in the Balance Sheet at current value are revalued on a five year rolling basis, in accordance with the guidelines provided within the Royal Institute of Chartered Surveyors Valuation Standards Manual. In addition, any material changes in the value of individual assets that arise between periodic valuations are immediately reflected in the Balance Sheet.

Impairment

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

Depreciation

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

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

Disposals and Non-Current Assets Held for Sale

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

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



Notes to the Accounts (cont'd)

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

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

Private Finance Initiative (PFI) and Similar Contracts

East Renfrewshire Council operates 5 PFI/PPP and similar projects. Please see Note 35 for details.

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to these contractors. As the Council is deemed to control the services that are provided under these schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge, the Council 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 Council.

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

- fair value of the services received during the year - debited to the relevant service in the Comprehensive Income and Expenditure Statement
- finance cost - an average interest charge of 7.16% 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 Council 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 Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are



Notes to the Accounts (cont'd)

measured as the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Reserves

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**Notes to the Accounts (cont'd)****2. EXPENDITURE AND FUNDING ANALYSIS**

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

| Net Expenditure Chargeable to the General Fund and HRA Balances | 2019/20 Adjustments Between Funding & Accounting Basis (See Note 3) | Net Expenditure in the Comprehensive Income & Expenditure Statement | | Net Expenditure Chargeable to the General Fund and HRA Balances | 2020/21 Adjustments Between Funding & Accounting Basis (See Note 3) | Net Expenditure in the Comprehensive Income & Expenditure Statement |
|---|---|---|---|---|---|---|
| £'000 | £'000 | £'000 | | £'000 | £'000 | £'000 |
| 126,380 | 9,101 | 135,481 | Education | 132,756 | 23,675 | 156,431 |
| 47,267 | 3,422 | 50,689 | HSCP - Provision of Services | 48,944 | 3,569 | 52,513 |
| 21,300 | 4,790 | 26,090 | Environment | 24,359 | 5,835 | 30,194 |
| 5,657 | 771 | 6,428 | Corporate & Community – Community Resources | 5,991 | 556 | 6,547 |
| (23) | 278 | 255 | Chief Executive's Office | 77 | 238 | 315 |
| 11,671 | (10,505) | 1,166 | Other Expenditure & Income | 8,525 | (5,672) | 2,853 |
| 2,737 | 524 | 3,261 | Support Services – Chief Executive's Office | 2,839 | 356 | 3,195 |
| 9,041 | 3,634 | 12,675 | Support Services – Corp & Comm. | 10,439 | 3,604 | 14,043 |
| 1,876 | 482 | 2,358 | Support Services – Environment | 1,785 | 418 | 2,203 |
| 225,906 | 12,497 | 238,403 | Net Cost of General Fund Services | 235,715 | 32,579 | 268,294 |
| (302) | 6,025 | 5,723 | HRA | 262 | 2,728 | 2,990 |
| 225,604 | 18,522 | 244,126 | Cost of Services | 235,977 | 35,307 | 271,284 |
| (821) | (220) | (1,041) | Other operating expenditure | (810) | (1,082) | (1,892) |
| 9,039 | 4,219 | 13,258 | Financing and investment income and expenditure | 9,115 | 3,108 | 12,223 |
| (236,278) | (18,300) | (254,578) | Taxation and non-specific grant income | (259,990) | (19,039) | (279,029) |
| (2,456) | 4,221 | 1,765 | (Surplus) / Deficit on Provision of Services | (15,708) | 18,294 | 2,586 |
| (31,321) | | | Opening General Fund and HRA Balance | (33,777) | | |
| (2,456) | | | (Surplus) / Deficit on General Fund and HRA Balance in Year | (15,708) | | |
| (33,777) | | | Closing General Fund and HRA Balance* | (49,485) | | |

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

**Notes to the Accounts (cont'd)****3. NOTE TO THE EXPENDITURE & FUNDING ANALYSIS**

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

| 2020/21 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|--|---|----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Education | 23,162 | 2,964 | (2,451) | 23,675 |
| HSCP – Provision of Services | 1,194 | 2,162 | 213 | 3,569 |
| Environment | 5,288 | 1,490 | (943) | 5,835 |
| Corporate & Community – Community Resources | - | 517 | 39 | 556 |
| Chief Executive's Office | - | - | 238 | 238 |
| Other Expenditure & Income | - | 24 | (5,696) | (5,672) |
| Support Services – Chief Executive's Office | - | 341 | 15 | 356 |
| Support Services – Corp & Comm. | 2,713 | 854 | 37 | 3,604 |
| Support Services – Environment | 228 | 176 | 14 | 418 |
| Net Cost of General Fund Services | 32,585 | 8,528 | (8,534) | 32,579 |
| HRA | 6,618 | 398 | (4,288) | 2,728 |
| Cost of Services | 39,203 | 8,926 | (12,822) | 35,307 |
| Other Operating Expenditure | (1,082) | - | - | (1,082) |
| Financing & Investment Income & Expenditure | - | 2,219 | 889 | 3,108 |
| Taxation & Non-Specific Grant Income | (19,039) | - | - | (19,039) |
| (Surplus)/Deficit on Provision of Services | 19,082 | 11,145 | (11,933) | 18,294 |

| 2019/20 | Adjustments for Capital Purposes | Net Charges for Pension Adjustments | Other Differences | Total |
|---|--|---|----------------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Education | 9,845 | 4,015 | (4,759) | 9,101 |
| HSCP – Provision of Services | 489 | 2,974 | (41) | 3,422 |
| Environment | 3,737 | 2,098 | (1,045) | 4,790 |
| Corporate & Community – Community Resources | (12) | 742 | 41 | 771 |
| Chief Executive's Office | - | - | 278 | 278 |
| Other Expenditure & Income | - | (3,303) | (7,202) | (10,505) |
| Support Services – Chief Executive's Office | - | 486 | 38 | 524 |
| Support Services – Corp & Comm. | 2,424 | 1,255 | (45) | 3,634 |
| Support Services – Environment | 227 | 252 | 3 | 482 |
| Net Cost of General Fund Services | 16,710 | 8,519 | (12,732) | 12,497 |
| HRA | 9,290 | 591 | (3,856) | 6,025 |
| Cost of Services | 26,000 | 9,110 | (16,588) | 18,522 |
| Other Operating Expenditure | (220) | - | - | (220) |
| Financing & Investment Income & Expenditure | - | 3,391 | 828 | 4,219 |
| Taxation & Non-Specific Grant Income | (18,300) | - | - | (18,300) |
| (Surplus)/Deficit on Provision of Services | 7,480 | 12,501 | (15,760) | 4,221 |



Notes to the Accounts (cont'd)

Adjustments for Capital Purposes

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

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

Net charge for the Pensions Adjustments

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

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

Other Differences

This column records other adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute in the service lines, and for:-

- For **Financing and investment income and expenditure** the other statutory adjustments column recognises adjustments to the General Fund for the timing differences for premiums and discounts along with other loans fund adjustments.

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

The code requires the disclosure of information relating to the impact of an accounting change that is required by a new standard that has been issued but not yet adopted. This applies to the following new or amended standards within the 2021/22 code:-

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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

**Notes to the Accounts (cont'd)****5. EXPENDITURE AND INCOME ANALYSED BY SERVICE**

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

2020/21

| Expenditure/Income | Education | HSCP | Environment | Corporate & Community – Community Resources | Chief Executive's Office | Other Expenditure & Income | Support Services | Housing Revenue Account | Costs not included in a service | Total |
|---|-----------------|-----------------|----------------|---|--------------------------|----------------------------|------------------|-------------------------|---------------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | | | | | | | |
| Employee expenses | 114,397 | 26,659 | 15,914 | 5,545 | 24 | 24 | 13,051 | 4,263 | 2,219 | 182,096 |
| Other services expenses | 33,928 | 48,663 | 15,343 | 15,550 | 405 | 5,664 | 3,835 | 5,320 | - | 128,708 |
| Depreciation, amortisation, impairment | 23,162 | 1,194 | 5,288 | - | - | - | 2,941 | 6,618 | - | 39,203 |
| Interest payments | - | - | - | - | - | - | - | - | 10,692 | 10,692 |
| Gain on the disposal of assets | - | - | - | - | - | - | - | - | (1,082) | (1,082) |
| Total expenditure | 171,487 | 76,516 | 36,545 | 21,095 | 429 | 5,688 | 19,827 | 16,201 | 11,829 | 359,617 |
| Income | | | | | | | | | | |
| Fees, charges and other service income | (4,905) | (15,567) | (4,881) | (1,251) | (114) | (2,835) | (386) | (13,211) | (810) | (43,960) |
| Interest and investment income | - | - | - | - | - | - | - | - | (688) | (688) |
| Income from council tax | - | - | - | - | - | - | - | - | (54,431) | (54,431) |
| Government grants and contributions (Note 31) | (10,151) | (8,436) | (1,470) | (13,297) | - | - | - | - | (224,598) | (257,952) |
| Total income | (15,056) | (24,003) | (6,351) | (14,548) | (114) | (2,835) | (386) | (13,211) | (280,527) | (357,031) |
| (Surplus)/Deficit on the Provision of Services | 156,431 | 52,513 | 30,194 | 6,547 | 315 | 2,853 | 19,441 | 2,990 | (268,698) | 2,586 |

2019/20

| Expenditure/Income | Education | HSCP | Environment | Corporate & Community – Community Resources | Chief Executive's Office | Other Expenditure & Income | Support Services | Housing Revenue Account | Costs not included in a service | Total |
|---|-----------------|-----------------|----------------|---|--------------------------|----------------------------|------------------|-------------------------|---------------------------------|------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Expenditure | | | | | | | | | | |
| Employee expenses | 105,388 | 24,596 | 16,636 | 5,523 | 23 | (3,303) | 15,734 | 4,225 | 3,391 | 172,213 |
| Other services expenses | 33,615 | 43,419 | 14,986 | 15,447 | 396 | 8,026 | 3,138 | 4,770 | - | 123,797 |
| Depreciation, amortisation, impairment | 9,845 | 489 | 3,737 | (12) | - | - | 2,651 | 9,290 | - | 26,000 |
| Interest payments | - | - | - | - | - | - | - | - | 10,351 | 10,351 |
| Gain on the disposal of assets | - | - | - | - | - | - | - | - | (220) | (220) |
| Total expenditure | 148,848 | 68,504 | 35,359 | 20,958 | 419 | 4,723 | 21,523 | 18,285 | 13,522 | 332,141 |
| Income | | | | | | | | | | |
| Fees, charges and other service income | (7,189) | (17,016) | (7,826) | (1,035) | (164) | (3,557) | (3,204) | (12,562) | (821) | (53,374) |
| Interest and investment income | - | - | - | - | - | - | - | - | (484) | (484) |
| Income from council tax | - | - | - | - | - | - | - | - | (52,170) | (52,170) |
| Government grants and contributions (Note 31) | (6,178) | (799) | (1,443) | (13,495) | - | - | (25) | - | (202,408) | (224,348) |
| Total income | (13,367) | (17,815) | (9,269) | (14,530) | (164) | (3,557) | (3,229) | (12,562) | (255,883) | (330,376) |
| (Surplus)/Deficit on the Provision of Services | 135,481 | 50,689 | 26,090 | 6,428 | 255 | 1,166 | 18,294 | 5,723 | (242,361) | 1,765 |

6. CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Council 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:



Notes to the Accounts (cont'd)

- The Council has entered into 5 Private Financial Initiatives/Public Private Partnership and similar contracts for the provision of educational buildings, the construction of a new road and waste recycling plant. The Council has considered the tests under IFRIC 12 and concluded that these are service concession arrangements. With the exception of the waste recycling plant, where the Council has an 11% share of the contract, the Council is deemed to control the services provided under these contracts, applies the accounting policies as stated in note 1 and recognises their net book value in note 15. This arrangement includes the Roads PFI contract where East Renfrewshire Council acts as a lead authority despite only recognising 26.67% of the contract value in the accounts. Further information, including a breakdown of the individual contracts, can be obtained from note 35.
- During 2020/21 the Council received funding from the Scottish Government relating to grants and subsidies in support of hardship experienced by third parties from the impact of COVID-19. In many cases, the Council had no discretion over the terms of the grants awarded and any unspent grant was repaid to the Scottish Government; these have been treated as Agent transactions i.e. where the Council is acting as an intermediary and are excluded from the Comprehensive Income & Expenditure Statement, Balance Sheet and related Notes. Cash flows have, however, been included in the Cash flow Statement. The CIPFA LASAAC Local Authority Code Board issued guidance in relation to the funding streams administered by Scottish local authorities in terms of their treatment as Agent or Principal (i.e. where the Council is acting on its own behalf) activities and this guidance has been followed. Further detail on the sums involved can be found in the Management Commentary.

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

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council 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 Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item | Uncertainties | Effect if Actual Results differ Assumptions |
|--------------------|---|--|
| Pensions Liability | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A table setting out the potential sensitivity of change in assumptions on the pension liability is detailed in note 39. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied. | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £75.05m, a 0.5% increase in the salary increase rate will result in an increase in liabilities of £9.48m and a 0.5% increase in the pension increase rate will result in an increase in liabilities of £63.81m. During 2020/21, the Council actuaries advised that the net pension liability had increased by £31.85m to £119.4m, following an assumptions update on the Consumer Price Index and Corporate Bond yield which resulted in a loss of £153m, this was offset by a higher investment return of £121m (22.8%). |

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

| | | |
|---------|---|--|
| Arrears | At 31 March 2021, the Council had a sundry debtors balance of £7.24M, Council Tax Debtors of £12.44m and Non Domestic Rate Debtors of £3.30m. A review of significant balances suggested that an impairment of doubtful debts of 17.38% / £1.3m was appropriate for sundry debtors and provisions of 90.7% / £11.28m and 90.6% / £2.99m were made for Council Tax and Non Domestic Rates respectively. However, in the current economic climate it is not certain that such an allowance would be sufficient. | If collection rates were to deteriorate, an increase in bad debt of 10% would require an additional £0.13m to be set aside for sundry debt as an allowance and £1.13m and £0.3m for Council Tax and Non Domestic Rate debtors respectively |
|---------|---|--|

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

There is an inherent level of uncertainty associated with the valuation of non-current assets. However, the prior year property valuation reports described the effect of significant uncertainties caused by Covid-19. The property valuations for March 2021 have been reviewed and this increased uncertainty no longer exists and the degree of uncertainty around property valuations has returned to inherent levels of risk.

8. **COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT – MATERIAL ITEMS OF INCOME AND EXPENSE**

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

| | |
|--|----------------|
| Disposal of property, plant and equipment | £000 |
| Net Book Value of Assets | 997 |
| Sale Proceeds | <u>(2,079)</u> |
| (Profit)/loss on disposal | <u>(1,082)</u> |

9. **EVENTS AFTER THE BALANCE SHEET DATE**

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 15 June 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Council, in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure. Movements can be traced through Note 25.

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

| 2020/21 | General Fund Balance £000 | Housing Revenue Account £000 | Capital Reserve £000 | Capital Grants & Receipts & Unapplied £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Movement in Unusable Reserves £000 |
|---|---------------------------------|---------------------------------------|----------------------------|---|---|---------------------------|---|
| Adjustments primarily involving the Capital Adjustment Account | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Charges for depreciation and impairment of non-current assets | (32,464) | (6,618) | | | | | 39,082 |
| Amortisation of intangible assets (Note 17) | (121) | | | | | | 121 |
| Capital grants and contributions applied (Note 33) | 17,157 | 1,882 | | | | | (19,039) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8) | (997) | | 159 | | | | 838 |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Statutory provision for the financing of capital investment | 10,527 | 2,938 | | | | | (13,465) |
| Capital expenditure charged against the General Fund and HRA balances | 1,933 | 100 | | | | | (2,033) |
| Voluntary provision for repayment of debt (Note 25) | 108 | | | | | | (108) |
| Adjustments primarily involving the Capital Reserve: | | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 33) | | | | | | | |
| Adjustments primarily involving the Capital Grants & Receipts Unapplied Account: | | | | | | | |
| Use of Capital receipts initially transferred to grants & receipts unapplied to fund Covid-19 pressures | | | | | | | |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 25) | 11 | | | | | | (11) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 25) | (10,648) | (497) | | | | | 11,145 |
| Adjustment primarily involving the Statutory Accumulating Compensated Absences Account: | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 25) | (2,068) | (44) | | | | | 2,112 |
| Total Adjustments (see MIRS) | (16,562) | (2,239) | 159 | - | - | - | 18,642 |

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

| 2019/20 | General Fund Balance £000 | Housing Revenue Account £000 | Capital Reserve £000 | Capital Grants & Receipts & Unapplied £000 | Repairs and Renewals Fund £000 | Insurance Fund £000 | Movement in Unusable Reserves £000 |
|---|---------------------------------|---------------------------------------|----------------------------|---|---|---------------------------|---|
| Adjustments primarily involving the Capital Adjustment Account | | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Charges for depreciation and impairment of non-current assets | (16,577) | (9,290) | | | | | 25,867 |
| Amortisation of intangible assets (Note 17) | (133) | | | | | | 133 |
| Capital grants and contributions applied (Note 33) | 16,875 | 1,425 | | | | | (18,300) |
| Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Note 8) | (32) | - | 252 | | | | (220) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | | |
| Statutory provision for the financing of capital investment | 12,020 | 2,567 | | | | | (14,587) |
| Capital expenditure charged against the General Fund and HRA balances | 2,231 | - | | | | | (2,231) |
| Voluntary provision for repayment of debt (Note 25) | 108 | | | | | | (108) |
| Adjustments primarily involving the Capital Reserve: | | | | | | | |
| Use of the Capital Reserve to finance new capital expenditure (Note 33) | | | 1,200 | | | | (1,200) |
| Adjustments primarily involving the Financial Instruments Adjustment Account: | | | | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 25) | 10 | | | | | | (10) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 25) | (11,748) | (753) | | | | | 12,501 |
| Adjustment primarily involving the Statutory Accumulating Compensated Absences Account: | | | | | | | |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 25) | (453) | (2) | | | | | 455 |
| Total Adjustments (see MIRS) | 2,301 | (6,053) | 1,452 | | | | 2,300 |

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

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

| | Balance at 31 March 2019 £000 | Transfers Out 2019/20 £000 | Transfers In 2019/20 £000 | Balance at 31 March 2020 £000 | Transfers Out 2020/21 £000 | Transfers In 2020/21 £000 | Balance at 31 March 2021 £000 |
|--|--|-------------------------------------|---------------------------------|--|-------------------------------------|---------------------------------|--|
| Non-earmarked Reserve | (10,554) | 2,300 | (1,389) | (9,643) | 16,165 | (18,192) | (11,670) |
| Equalisation Reserve | (2,799) | - | (36) | (2,835) | - | (39) | (2,874) |
| Modernisation Fund | (7,660) | 652 | (42) | (7,050) | 1,311 | (32) | (5,771) |
| Unspent Grants | (2,003) | 2,003 | (5,246) | (5,246) | 5,246 | (6,696) | (6,696) |
| Unspent Covid-19 Grants | - | - | - | - | - | (12,815) | (12,815) |
| Whitelee Wind Farm | (692) | 239 | (294) | (747) | 212 | (293) | (828) |
| Commuted Sums | (2,493) | 1,342 | (1,009) | (2,160) | 2,160 | (2,371) | (2,371) |
| Devolved School Management | (3,202) | 1,763 | (2,141) | (3,580) | 1,195 | (1,654) | (4,039) |
| Feasibility Fund | (200) | - | - | (200) | - | - | (200) |
| General Fund Total | (29,603) | 8,299 | (10,157) | (31,461) | 26,289 | (42,092) | (47,264) |
| HRA | (1,718) | - | (598) | (2,316) | 95 | - | (2,221) |
| Capital Reserve | (3,835) | 1,200 | (21) | (2,656) | - | (12) | (2,668) |
| Capital Grants & Receipts unapplied account | - | - | - | - | - | (1,920) | (1,920) |
| Repairs and Renewal Fund | (6,581) | 1,791 | (1,039) | (5,829) | 2,011 | (418) | (4,236) |
| Insurance Fund | (1,950) | - | (10) | (1,960) | - | (9) | (1,969) |
| Total | (43,687) | 11,290 | (11,825) | (44,222) | 28,395 | (44,451) | (60,278) |

12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| (Gain)/Loss on disposal of Fixed Asset (See Note 8) | (1,082) | (220) |
| Rental Income – operating lease over property, plant and equipment | (810) | (821) |
| | (1,892) | (1,041) |

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-------------------------|-------------------------|
| Interest payable and similar charges | 10,691 | 10,349 |
| Pension interest costs and expected return on pension assets | 2,219 | 3,391 |
| Interest receivable and similar income | (688) | (484) |
| Expected credit loss | 1 | 2 |
| Total | 12,223 | 13,258 |

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

| | 2020/21 £000 | 2019/20 £000 |
|-------------------------------------|-------------------------|-------------------------|
| Council Tax income | (54,431) | (52,170) |
| Non domestic rates * | (9,961) | (15,377) |
| Non ring-fenced government grants * | (195,598) | (168,731) |
| Capital grants and contributions | (19,039) | (18,300) |
| Total | (279,029) | (254,578) |

The notable reduction in income credited to the Comprehensive Income & Expenditure Statement in 2020/21 for Non Domestic Rates relates to the Business Rate relief granted to support businesses during the pandemic and was compensated for by an increase in Non ring-fenced government grants to the Council.

**Notes to the Accounts (cont'd)****15. PROPERTY, PLANT AND EQUIPMENT****Movements on Balances****Movements in 2020/21**

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | PFI Assets Included in Property, Plant and Equipment £000 | Total Property, Plant and Equipment £000 |
|--|---------------------------|-------------------------------------|---|-------------------------------|--------------------------|------------------------|--------------------------------------|--|--|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2020 | 188,669 | 358,077 | 46,546 | 45,038 | 3,460 | 2,772 | 18,844 | 151,277 | 814,683 |
| Additions | 3,388 | 4,598 | 5,244 | 5,212 | 125 | - | 14,948 | 1,554 | 35,069 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 3,999 | 3,324 | - | - | - | - | - | - | 7,323 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 235 | (14,527) | - | - | - | - | - | - | (14,292) |
| Derecognition – disposals | - | - | (747) | - | - | - | - | - | (747) |
| Derecognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Assets transferred to/from assets under construction | 648 | 22,732 | - | 3,753 | - | - | (27,133) | - | - |
| Assets transferred to/from Surplus Assets | - | - | - | - | - | - | - | - | - |
| Depreciation written back on revaluation | (5,919) | (2,017) | - | - | - | - | - | - | (7,936) |
| At 31 March 2021 | 191,020 | 372,187 | 51,043 | 54,003 | 3,585 | 2,772 | 6,659 | 152,831 | 834,100 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2020 | (10,941) | (12,311) | (35,286) | (12,689) | - | - | - | (15,200) | (86,427) |
| Depreciation charge | (6,688) | (7,600) | (5,473) | (1,235) | - | (2) | - | (3,792) | (24,790) |
| Depreciation written out on revaluation and disposal | 5,919 | 2,017 | 747 | - | - | - | - | - | 8,683 |
| Derecognition | - | - | - | - | - | - | - | - | - |
| At 31 March 2021 | (11,710) | (17,894) | (40,012) | (13,924) | - | (2) | - | (18,992) | (102,534) |
| Net Book Value At 31 March 2021 | 179,310 | 354,293 | 11,031 | 40,079 | 3,585 | 2,770 | 6,659 | 133,839 | 731,566 |
| At 31 March 2020 | 177,728 | 345,766 | 11,260 | 32,349 | 3,460 | 2,772 | 18,844 | 136,077 | 728,256 |

**Notes to the Accounts (cont'd)****Comparative Movements in 2019/20**

| | Council Dwellings £000 | Other Land and Buildings £000 | Vehicles, Plant, Furniture & Equipment £000 | Infrastructure Assets £000 | Community Assets £000 | Surplus Assets £000 | Assets Under Construction £000 | PFI Assets Included in Property, Plant and Equipment £000 | Total Property, Plant and Equipment £000 |
|--|---------------------------|-------------------------------------|---|-------------------------------|--------------------------|------------------------|--------------------------------------|--|--|
| Cost or Valuation | | | | | | | | | |
| At 1 April 2019 | 174,859 | 332,869 | 40,462 | 40,120 | 3,322 | 2,507 | 15,810 | 147,251 | 757,200 |
| Additions | 7,269 | 6,984 | 7,224 | 4,918 | 138 | - | 20,246 | 4,026 | 50,805 |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 11,329 | 4,925 | - | - | - | 138 | - | - | 16,392 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (2,256) | 37 | - | - | - | 129 | - | - | (2,090) |
| Derecognition – disposals | - | - | (1,140) | - | - | - | - | - | (1,140) |
| Derecognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | - | - | - | - | - | - | - | - |
| Assets transferred to/from assets under construction | 3,427 | 13,785 | - | - | - | - | (17,212) | - | - |
| Assets transferred to/from Surplus Assets | - | - | - | - | - | - | - | - | - |
| Depreciation written back on revaluation | (5,959) | (523) | - | - | - | (2) | - | - | (6,484) |
| At 31 March 2020 | 188,669 | 358,077 | 46,546 | 45,038 | 3,460 | 2,772 | 18,844 | 151,277 | 814,683 |
| Accumulated Depreciation and Impairment | | | | | | | | | |
| At 1 April 2019 | (10,064) | (5,853) | (31,334) | (11,219) | - | (52) | - | (11,772) | (70,294) |
| Depreciation charge | (6,835) | (6,981) | (5,092) | (1,470) | - | (2) | - | (3,428) | (23,808) |
| Depreciation written out on revaluation and disposal | 5,958 | 523 | 1,140 | - | - | 2 | - | - | 7,623 |
| Derecognition | - | - | - | - | - | 52 | - | - | 52 |
| At 31 March 2020 | (10,941) | (12,311) | (35,286) | (12,689) | - | - | - | (15,200) | (86,427) |
| Net Book Value At 31 March 2020 | 177,728 | 345,766 | 11,260 | 32,349 | 3,460 | 2,772 | 18,844 | 136,077 | 728,256 |
| At 31 March 2019 | 164,795 | 327,016 | 9,128 | 28,901 | 3,322 | 2,455 | 15,810 | 135,479 | 686,906 |



Notes to the Accounts (cont'd)

Depreciation

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

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

Capital Commitments

At 31 March 2021, the Council was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2021/22 and future years. The major commitments include the following projects which have been stated at full project cost:-

| | £000 |
|----------------------------------|-------------|
| St Ninian's HS Accommodation | 2,492 |
| Mearns Castle HS Sports Facility | 1,726 |
| Core System Upgrade | 3,750 |
| Telecare Service | 1,150 |
| House Building Programme | 54,030 |

Revaluations

The Council carries out a five year revaluation programme ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on a regular basis. In the current year, the following assets have been revalued Housing, miscellaneous subjects including school houses, lock up garages, offices, bothies, community assets, common good. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

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

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

**Notes to the Accounts (cont'd)****16. HERITAGE ASSETS****Reconciliation of the carrying value of Heritage Assets held by the Council**

| | Statues £000 | Civic Regalia £000 | Total Tangible Assets £000 | Number Plates £000 | Total Intangible Assets £000 | Total Heritage Assets £000 |
|--|-----------------|--------------------------|-------------------------------------|--------------------------|---------------------------------------|-------------------------------------|
| Cost or valuation At 1 April 2020 | 94 | 65 | 159 | 75 | 75 | 234 |
| Revaluations | | | | | | |
| At 31 March 2021 | 94 | 65 | 159 | 75 | 75 | 234 |
| | | | | | | |
| | Statues £000 | Civic Regalia £000 | Total Tangible Assets £000 | Number Plates £000 | Total Intangible Assets £000 | Total Heritage Assets £000 |
| Cost or valuation At 1 April 2019 | 94 | 65 | 159 | 75 | 75 | 234 |
| Revaluations | - | - | - | - | - | - |
| At 31 March 2020 | 94 | 65 | 159 | 75 | 75 | 234 |

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

**Notes to the Accounts (cont'd)****17. INTANGIBLE ASSETS**

The Council 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 Council.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £121k charged to revenue in 2020/21 was charged to the IT Administration cost centre.

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

| | 2020/21 Software Licences £000 | 2019/20 Software Licences £000 |
|---|-----------------------------------|-----------------------------------|
| Balance at start of year: | | |
| • Gross carrying amounts | 1,642 | 1,606 |
| • Accumulated amortisation | (1,353) | (1,220) |
| Net carrying amount at start of year | 289 | 386 |
| Additions: | | |
| • Internal development | - | - |
| • Purchases | 4 | 36 |
| • Acquired through business combinations | - | - |
| Amortisation for the period | (121) | (133) |
| Other changes | - | - |
| Derecognition | | |
| • Gross Book Value | - | - |
| • Accumulated amortisation | - | - |
| Net carrying amount at end of year | 172 | 289 |
| Comprising: | | |
| • Gross carrying amounts | 1,646 | 1,642 |
| • Accumulated amortisation | (1,474) | (1,353) |
| Balance at end of year: | 172 | 289 |



Notes to the Accounts (cont'd)

18. ASSETS HELD FOR SALE

| | Current Assets 2020/21 £000 | Current Assets 2019/20 £000 |
|---|--|--|
| Balance outstanding at start of year | 986 | 1,034 |
| Assets newly classified as held for sale: | | |
| • Property, Plant and Equipment | - | - |
| • Other assets/liabilities in disposal groups | - | - |
| Additions | 11 | 3 |
| Revaluation losses | - | - |
| Revaluation gains | - | - |
| Impairment Gains | - | 31 |
| Impairment losses | - | - |
| Assets declassified as held for sale: | | |
| • Property, Plant and Equipment | - | - |
| • Other assets/liabilities in disposal groups | - | - |
| Assets sold | (997) | (31) |
| Derecognition | - | (51) |
| Transfers from non-current to current | - | - |
| Balance outstanding at year-end: | - | 986 |

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

Categories of Financial Instruments

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

| | Long-term | | Current | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | 31 March 2021 £000 | 31 March 2020 £000 | 31 March 2021 £000 | 31 March 2020 £000 |
| Investments | | | | |
| Loans and receivables | 255 | 262 | 71,679 | 73,559 |
| Total investments | 255 | 262 | 71,679 | 73,559 |
| Borrowings | | | | |
| Financial liabilities at amortised cost (including Bank overdraft and long term creditors) | (113,936) | (114,319) | (2,962) | (3,751) |
| Total Borrowings | (113,936) | (114,319) | (2,962) | (3,751) |
| Other Long Term Liabilities | | | | |
| PFI and finance lease liabilities | (78,712) | (83,837) | (5,083) | (4,864) |
| Total other long term liabilities | (78,712) | (83,837) | (5,083) | (4,864) |

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

| | 2020/21 Surplus or Deficit on the Provision of Services £000 | 2019/20 Surplus or Deficit on the Provision of Services £000 |
|--|--|--|
| Net gains/losses on: | | |
| • Financial assets or financial liabilities measured at amortised cost | - | - |
| Interest revenue: | | |
| • Financial assets or financial liabilities measured at amortised cost | 4,067 | 3,814 |
| Fee income: | | |
| • Financial assets or financial liabilities that are not at fair value through profit or loss | - | - |
| Fee expense: | | |
| • Financial assets or financial liabilities that are not at fair value through profit or loss | 229 | 206 |
| Total net(gain) / losses | 4,296 | 4,020 |



Notes to the Accounts (cont'd)

Fair Values of Assets and Liabilities

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

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

Market to Model Valuation for Financial Instruments – As at 31 March the Council held £71,934k financial assets and £116,898k financial liabilities for which Level 2 valuations will apply. All the financial assets are held with Money Market Funds and Notice Accounts. The financial liabilities are held with PWLB and Market lenders. All of these investments and borrowings were not quoted on an active market and a Level 1* valuation is not available. To provide a fair value which provides a comparison to the carrying amount, a financial model valuation provided by Link Asset Services has been used. This valuation applies the Net Present Value approach, which provides an estimate of the value of payments in the future in today's terms as at the balance sheet date. This is a widely accepted valuation technique commonly used by the private sector. Our accounting policy uses New Borrowing Rates to discount the future cash flows.

The fair values calculated are as follows:

| | 31 March 2021 | | 31 March 2020 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 116,898 | 154,198 | 118,070 | 143,696 |

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2021) arising from a commitment to pay interest to lenders above current market rates.

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

| | 31 March 2021 | | 31 March 2020 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Financial liabilities | 116,898 | 189,744 | 118,070 | 224,129 |

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

The Council has a continuing ability to borrow at concessionary rates from the PWLB rather than from the markets, termed the PWLB Certainty interest rates. As a result of its PWLB commitments for fixed rate loans a comparison of the terms of these loans with the new borrowing rates available from the PWLB has been used to calculate the fair value. As part of the Financial Liabilities shown in the two tables above is a PWLB carrying amount of £99.03m, the fair value using New Borrowing Rates would be £128.41m. But, if the Council were to seek to avoid the projected loss by repaying the loans to the PWLB, the PWLB would raise a penalty charge. The exit price for the PWLB loans including the additional charges would be £159.01m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £99.03m. It measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date, which has been assumed as the PWLB redemption interest rates. The difference between the carrying amount and the fair value measures the additional interest that the Council will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates.

| | 31 March 2021 | | 31 March 2020 | |
|-------------------------|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair Value | Carrying amount | Fair Value |
| | £000 | £000 | £000 | £000 |
| Deposits: short-term | 63,680 | 63,711 | 39,311 | 39,393 |
| Investments: short-term | 7,999 | 8,005 | 34,248 | 34,322 |
| Investments: long-term | 255 | 255 | 262 | 262 |
| | 71,934 | 71,971 | 73,821 | 73,977 |

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

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

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

20. DEBTORS

| | 31 March 2021 | 31 March 2020 |
|----------------------------------|---------------|---------------|
| | £000 | £000 |
| Trade receivables | 7,235 | 2,276 |
| Receivables from related parties | 9,016 | 8,544 |
| Prepayments | 2,720 | 2,244 |
| Other accounts | 12,497 | 3,144 |
| Total | 31,468 | 16,208 |

**Notes to the Accounts (cont'd)****21. DEBTORS FOR LOCAL TAXATION**

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

| | 31 March 2021 | 31 March 2020 |
|----------------------------|----------------------|----------------------|
| | £000 | £000 |
| Less than one year | 3,702 | 2,366 |
| Between one to two years | 1,956 | 1,485 |
| Between two and five years | 3,465 | 3,063 |
| More than five years | 6,612 | 6,829 |
| Total | 15,735 | 13,743 |

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

22. CASH FLOW STATEMENT – CASH AND CASH EQUIVALENTS

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

| | 31 March 2021 | 31 March 2020 |
|--------------------------|----------------------|----------------------|
| | £000 | £000 |
| Cash held by the Council | 18 | 18 |
| Bank current accounts | (2,579) | (3,190) |
| Short-term deposits | 63,680 | 39,311 |
| Total | 61,119 | 36,139 |

23. CREDITORS

| | 31 March 2021 | | 31 March 2020 | |
|-----------------------------|----------------------|------------------|----------------------|------------------|
| | £000 | | £000 | |
| | Short-term | Long-term | Short-term | Long-term |
| Trade payables | (3,717) | - | (4,772) | - |
| Payables to related parties | (18,035) | - | (8,999) | - |
| Other accounts | (28,241) | (93) | (30,465) | (93) |
| TOTAL | (49,993) | (93) | (44,236) | (93) |

**Notes to the Accounts (cont'd)****24. PROVISIONS**

| | Teachers Maternity Pay £000 | Housing Rent £000 | Short- term provisions £000 | SRC Operations £000 | Insurance Excess £000 | Long-term provisions £000 |
|---|--------------------------------------|-------------------------|--------------------------------------|---------------------------|-----------------------------|---------------------------------|
| Balance at 31 March 2020 | (209) | - | (209) | (24) | (133) | (157) |
| Additional provisions made in 2020/21 | (182) | (408) | (590) | (3) | (12) | (15) |
| Amounts used in 2020/21 | 208 | - | 208 | 8 | - | 8 |
| Unused amounts reversed in 2020/21 | 1 | - | 1 | - | - | - |
| Balance at 31 March 2021 | (182) | (408) | (590) | (19) | (145) | (164) |

The Council has two short term provisions totalling £590k to cover holidays accrued whilst teachers are on maternity (£182k) and reflecting an overpayment of Universal Credit benefits made by the Department of Works & Pensions to the Housing Revenue Account (£408k).

Two long term provisions have been made in the accounts totalling £164k. These are made up firstly of £19k, a provision in respect of the former Strathclyde Regional Council's operations. Cost sharing arrangements are in place with the other eleven authorities which made up the former Strathclyde Region. East Renfrewshire Council's share of liabilities which will materialise in the future is 4.83%. Secondly, there is a provision of £145k to cover insurance excess for outstanding claims made against the Council.

25. BALANCE SHEET – UNUSABLE RESERVES

| | 31 March 2021 | 31 March 2020 |
|---|------------------|------------------|
| | £000 | £000 |
| Revaluation Reserve | (169,653) | (167,123) |
| Capital Adjustment Account | (358,878) | (359,588) |
| Financial Instruments Adjustment Account | 1,108 | 1,227 |
| Pensions Reserve | 119,443 | 87,594 |
| Statutory Accumulating Compensated Absences Account | 8,469 | 6,357 |
| Total Unusable Reserves | (399,511) | (431,533) |

Revaluation Reserve

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

- revalued downwards or impaired and the gains are lost

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

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

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

31 March 2021 **31 March 2020**

£000

£000

Balance at 1 April

(167,123)

(155,245)

Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:

Upward revaluation of assets

(8,112)

(16,472)

Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services

788

80

Amount written off to the Capital Adjustment Account:

Difference between fair value depreciation and historical cost depreciation

4,794

4,514

Accumulated gains on assets sold or scrapped

-

Balance at 31 March

(169,653)

(167,123)

Capital Adjustment Account

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

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

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

2020/21
£000

2019/20
£000

Balance at 1 April

(359,588)

(344,536)

Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Account

- Charges for depreciation and impairment of non-current assets

39,082

25,867

- Revaluation losses on Property, Plant and Equipment

-

-

- PPP/PFI lifecycle costs

(1,505)

(1,042)

- Amortisation of intangible assets

121

133

- Revenue expenditure funded from capital under statute

-

-

- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement

997

-

(320,893)

(319,578)

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

| | | |
|---|------------------|------------------|
| Adjusting amounts written out of the Revaluation Reserve | (4,794) | (4,514) |
| Net written out amount of the cost of non-current assets consumed in the year | (325,687) | (324,092) |
| Capital financing applied in the year: | | |
| • Use of the Capital Receipts to finance new capital expenditure | (159) | (220) |
| • Grants applied to Capital Investment | (19,039) | (18,300) |
| • PPP/PFI Finance lease repayments | (4,906) | (4,751) |
| • Loan repayments for the financing of capital investment charged against the General Fund and HRA balances | (8,559) | (9,836) |
| • Capital Funded from Current Revenue/capital reserve | (528) | (2,389) |
| Balance at 31 March | (358,878) | (359,588) |

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. East Renfrewshire Council uses the Account in the main, to manage premiums paid on the early redemption of loans. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period was restricted originally to 20 years. As a result, the balance on the Account at 31 March 2021 will be charged to the General Fund over the next 3 years. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 1,227 | 1,345 |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with Statutory requirements | (108) | (108) |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (11) | (10) |
| Balance at 31 March | 1,108 | 1,227 |

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 Council 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 Council 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

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

the Council 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.

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Balance at 1 April | 87,594 | 134,841 |
| Actuarial (gains) or losses on pension assets and liabilities | 20,704 | (59,748) |
| 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 | 23,276 | 24,461 |
| Employer's pension contributions and direct payments to pensioners payable in the year | (12,131) | (11,960) |
| Balance at 31 March | 119,443 | 87,594 |

Short term Accumulating Compensated Absences Adjustment Account

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

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Balance at 1 April | 6,357 | 5,902 |
| Settlement or cancellation of accrual made at the end of the preceding year | (6,357) | (5,902) |
| Amounts accrued at the end of the current year | 8,469 | 6,357 |
| Balance at 31 March | 8,469 | 6,357 |

26. CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Interest received | (515) | (62) |
| Interest paid | 4,794 | 4,249 |
| Interest element of finance lease rental and PPP/PFI payment | 6,016 | 6,209 |

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

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

| | 2020/21 £000 | 2019/20 £000 |
|---|-------------------------|-------------------------|
| Depreciation and impairment | (39,082) | (25,867) |
| Amortisation of intangible assets | (121) | (133) |
| (Increase)/decrease in creditors | (6,635) | 6,440 |
| Increase/(decrease) in debtors | 11,986 | 3,783 |
| Increase/(decrease) in inventories | 552 | 41 |
| Movement in pension liability | (11,145) | (12,501) |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (838) | 220 |
| Other non-cash items charged to the net surplus or deficit on the provision of services | 19,158 | 18,418 |
| | (26,125) | (9,599) |

27. CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | 2020/21 £000 | 2019/20 £000 |
|---|-------------------------|-------------------------|
| Purchase of property, plant and equipment and intangible assets | 35,039 | 48,604 |
| Purchase of short-term and long-term investments | 114,300 | 110,439 |
| Proceeds from the sale of property, plant and equipment and intangible assets | (1,082) | (220) |
| Proceeds from short-term and long-term investments | (114,300) | (110,439) |
| Other receipts from investing activities | (14,609) | (26,706) |
| Net cash flows from investing activities | 19,348 | 21,678 |

**Notes to the Accounts (cont'd)****28. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

| | 2020/21 £000 | 2019/20 £000 |
|--|------------------|------------------|
| Financing activities as at 1 April | (168,978) | (146,164) |
| Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract | 4,906 | 4,751 |
| Repayments of short and long-term borrowing | (25,695) | (24,594) |
| Other payments for financing activities | - | 2,971 |
| Financing activities as at 31 March | (189,767) | (168,978) |

29. AGENCY SERVICES

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

During 2020/21 the Council collected and paid over £17.9m (2019/20 £17.8m) and received £0.259m (2019/20 £0.259m) for providing the service.

In addition, The Council received a number of funding streams from the Scottish Government in 2020/21 to support financial hardship experienced by third parties (individuals and businesses) related to the Covid-19 pandemic. The Council had no discretion over the terms of the funding and could not use it for service delivery. This means that the Council acted as agent only and the grant funding received and paid out are not included in the Council's reserves, Comprehensive Income and Expenditure Statement or Balance Sheet. In some cases, an administration grant was awarded to the Council to facilitate these payments. This is accounted for as operational income and expenditure and not disclosed here.

| Covid Grants: where the Council acted as Agent | 2020/21 £000 |
|---|-------------------------|
| Business Support Grants | 19,481 |
| Winter & Spring Hardship Payments | 342 |
| Transitional Support Scheme | 223 |
| Temporary Restriction Funds | 126 |
| Self-Isolation | 66 |
| Personal Protective Equipment | 912 |

30. EXTERNAL AUDIT COSTS

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------|-----------------|
| Agreed Audit Scotland audit fee for the year | 237 | 232 |
| Other Audit Services provided | - | - |

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

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

| | 2020/21 £000 | 2019/20 £000 |
|--|-------------------------|-------------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant (including Covid Funding of £18,522k) | 195,598 | 168,731 |
| Non Domestic Rates | 9,961 | 15,377 |
| Capital Grants and Contributions | 19,039 | 18,300 |
| Total | 224,598 | 202,408 |
| Credited to Services | | |
| Housing Benefit Subsidy | 12,820 | 13,302 |
| Housing Benefit Administration Grant | 159 | 159 |
| Pupil Equity Fund | 1,197 | 1,344 |
| Unitary Charge – Barrhead High School | 1,832 | 1,832 |
| Education 1140 expansion | 4,856 | 1,985 |
| Criminal Justice Grant | 698 | 609 |
| Private Sector Housing Grant | 134 | 252 |
| Education Maintenance Allowance | 425 | 418 |
| Strathclyde Passenger Transport | 630 | 376 |
| Miscellaneous Revenue Grants | 1,871 | 1,663 |
| Covid Grants: where the Council acted as Principal | | |
| Education Recovery | 1,163 | |
| Free School Meals | 132 | |
| Food Fund | 197 | |
| Mobilisation Fund | 7,240 | |
| Total | 257,952 | 224,348 |

The Council 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:

| Capital Grants Receipts in Advance | 2020/21 £000 | 2019/20 £000 |
|---|-------------------------|-------------------------|
| Developer's Contributions/ Commuted Sums | 4,208 | 3,821 |
| Environmental Improvement Grant | 997 | 1,106 |
| Town Centre Grant | 720 | 848 |
| Energy Grant | 323 | 239 |
| Miscellaneous | 2 | 54 |
| | 6,250 | 6,068 |

**Notes to the Accounts (cont'd)****32. RELATED PARTIES**

The Council 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 Council.

Scottish Government

The Scottish Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Grants received from government departments are set out in note 31.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown on page 41. The code of conduct for members requires them to complete a Declaration of Interest which is updated annually and held on a central register which is held by the Corporate and Community Department at Council Headquarters. A member is required to declare an interest where he/she feels that there may be a perception that their decision making may be influenced in any way by a personal interest or by representing an associated body. When this situation arises, and where appropriate, the relevant members do not take part in any discussion or decision in relation to that interest.

Officers

A similar register exists to enable officials to declare an interest when there could be a perception that a decision taken could be influenced by an activity undertaken on a personal basis or by representing an associated body. Again, when this situation arises the relevant officer does not take part in any discussion or decision relating to that interest. This register is held by the Corporate and Community Department at the Council Headquarters. Remuneration paid to senior employees is shown on page 40.

Entities Controlled or Significantly Influenced by the Council

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

| | | | During 2020/21 | | As at 31 March 2021 | |
|---|--|--|----------------|--------------|---------------------|--------|
| | | | Charges to | Charges from | Due from | Due to |
| | | | £m | £m | £m | £m |
| East Renfrewshire Culture & Leisure Trust | | | (0.209) | 5.826 | (0.154) | 0.487 |
| East Renfrewshire Integration Joint Board | | | (57.531) | 57.531 | - | 5.355 |

**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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

| 2020/21 | Housing £000 | General Fund £000 | Total £000 |
|--|-------------------------|------------------------------|-----------------------|
| <i>Opening Capital Financing Requirement as at 31 March 2020</i> | 34,172 | 168,880 | 203,052 |
| <i>Capital investment</i> | | | |
| Property, Plant and Equipment | 5,731 | 29,349 | 35,080 |
| Intangible Assets | - | 4 | 4 |
| Revenue Expenditure Funded from Capital under Statute | | | |
| <i>Sources of finance</i> | | | |
| Capital Reserve | - | - | - |
| Capital receipts | - | (159) | (159) |
| Government grants and other contributions | (1,882) | (17,157) | (19,039) |
| <i>Sums set aside from revenue</i> | | | |
| Direct revenue contributions | - | (528) | (528) |
| Finance lease Principal Repayments (including PFI/PPP Projects) | - | (6,411) | (6,411) |
| Loans Fund Principal | (2,938) | (5,621) | (8,559) |
| Closing Capital Financing Requirement as at 31 March 2021 | 35,083 | 168,357 | 203,440 |

Explanation of Movements in Year

| | | | |
|---|------------|--------------|------------|
| Increase in underlying need to borrow | 911 | (523) | 388 |
| Assets acquired under lease and lease type arrangements | - | - | - |
| Increase/(decrease) in Capital Financing Requirement | 911 | (523) | 388 |

| 2019/20 | Housing £000 | General Fund £000 | Total £000 |
|--|-------------------------|------------------------------|-----------------------|
| <i>Opening Capital Financing Requirement as at 31 March 2019</i> | 28,683 | 160,095 | 188,778 |
| <i>Capital investment</i> | | | |
| Property, Plant and Equipment | 9,485 | 41,323 | 50,808 |
| Intangible Assets | - | 36 | 36 |
| Revenue Expenditure Funded from Capital under Statute | | | |
| <i>Sources of finance</i> | | | |
| Capital Reserve | - | (1,200) | (1,200) |
| Capital receipts | (4) | (248) | (252) |
| Government grants and other contributions | (1,425) | (16,875) | (18,300) |
| <i>Sums set aside from revenue</i> | | | |
| Direct revenue contributions | - | (1,189) | (1,189) |
| Finance lease Principal Repayments (including PFI/PPP Projects) | - | (5,793) | (5,793) |
| Loans Fund Principal | (2,567) | (7,269) | (9,836) |
| Closing Capital Financing Requirement as at 31 March 2020 | 34,172 | 168,880 | 203,052 |

**Notes to the Accounts (cont'd)****Explanation of Movements in Year**

| | | | |
|---|--------------|--------------|---------------|
| Increase in underlying need to borrow | 5,489 | 5,831 | 11,320 |
| Assets acquired under lease and lease type arrangements | - | 2,954 | 2,954 |
| Increase/(decrease) in Capital Financing Requirement | 5,489 | 8,785 | 14,274 |

34. LEASES**COUNCIL AS A LESSEE****Operating Leases**

The Council 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 2021 | 31 March 2020 |
|---|----------------------|----------------------|
| | £000 | £000 |
| Not later than one year | 389 | 453 |
| Later than one year and not later than five years | 1,286 | 1,335 |
| Later than five years | 1,614 | 1,874 |
| | 3,289 | 3,662 |

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

| | 31 March 2021 | 31 March 2020 |
|------------------------|----------------------|----------------------|
| | £000 | £000 |
| Minimum Lease payments | 455 | 454 |
| Contingent Rents | - | - |
| | 455 | 454 |

COUNCIL AS A LESSOR**Operating Leases**

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

- for the provision of community services

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

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

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

| | 31 March 2021 | 31 March 2020 |
|---|---------------|---------------|
| | £000 | £000 |
| Not later than one year | 231 | 169 |
| Later than one year and not later than five years | 545 | 447 |
| Later than five years | 15,740 | 16,605 |
| | 16,516 | 17,221 |

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 2020/21 there were no contingent rents received by the Council (2019/20 contingent rents of £6,189 were received by the Council).

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

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

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

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2020 | 22,456 |
| Additions/Revaluations | 182 |
| Depreciation in Year | (612) |
| NET BOOK VALUE AT 31 MARCH 2021 | 22,026 |

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

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

The total value of payments over the remainder of the contract before inflation will be £11.47m and the total value of income from the Scottish Government will be £6.67m resulting in a net outstanding undischarged obligation before inflation of £4.80m.

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

| | Estimated Cash Value of Payments Due to be Made | | | | Total |
|------------------------|---|--------------|--------------|-----------------|---------------|
| | Liability | Contingent | Interest | Service | |
| | £000 | Rent £000 | £000 | Charges £000 | |
| Within 1 year | 1,097 | 806 | 494 | 1,222 | 3,619 |
| Within 2 to 5 years | 4,521 | 2,998 | 986 | 6,916 | 15,421 |
| Within 6 to 10 years | - | 467 | - | 1,017 | 1,484 |
| ESTIMATED TOTAL | 5,618 | 4,271 | 1,480 | 9,155 | 20,524 |

(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 Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

| Movement in Value of ERC Assets | £000 |
|--|---------------|
| Valuation at 1 April 2020 | 28,013 |
| Additions/Revaluations | 520 |
| Depreciation in Year | (778) |
| NET BOOK VALUE AT 31 MARCH 2021 | 27,755 |

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

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

The outstanding undischarged net obligation is currently £1.4m.

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

| | Estimated Cash Value of Payments Due to be Made | | | | Total £000 |
|------------------------|---|--------------------|---------------|--------------------|---------------|
| | Liability | Contingent Rent | Interest | Service Charges | |
| | £000 | £000 | £000 | £000 | |
| Within 1 year | 1,192 | 404 | 1,231 | 745 | 3,572 |
| Within 2 to 5 years | 4,523 | 1,722 | 4,271 | 4,124 | 14,640 |
| Within 6 to 10 years | 7,691 | 2,862 | 3,690 | 4,897 | 19,140 |
| Within 11 to 15 years | 8,388 | 2,918 | 1,093 | 3,944 | 16,343 |
| ESTIMATED TOTAL | 21,794 | 7,906 | 10,285 | 13,710 | 53,695 |

(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 Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2020 | 59,543 |
| Additions/Revaluations | 838 |
| Depreciation in Year | (1,632) |
| NET BOOK VALUE AT 31 MARCH 2021 | 58,749 |

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

The total value of payments over the remainder of the contract before inflation will be £70.32m and the total value of income from the Scottish Government will be £35.51m leaving a net outstanding undischarged obligation of £34.81m.

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 | | | | Total £000 |
|------------------------|---|--------------------|---------------|--------------------|----------------|
| | Liability | Contingent Rent | Interest | Service Charges | |
| | £000 | £000 | £000 | £000 | |
| Within 1 year | 2,101 | 1,699 | 2,424 | 3,509 | 9,733 |
| Within 2 to 5 years | 10,281 | 8,111 | 7,948 | 14,578 | 40,918 |
| Within 6 to 10 years | 18,622 | 13,721 | 4,947 | 18,635 | 55,925 |
| Within 11 to 15 years | 2,312 | 1,622 | 85 | 1,913 | 5,932 |
| ESTIMATED TOTAL | 33,316 | 25,153 | 15,404 | 38,635 | 112,508 |

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

On 21 March 2016 the Council signed a contract for the construction and maintenance of a replacement Barrhead High School to be delivered under the Scotland's Schools

for the Future programme non-profit distributing (NPD) model. The new facility was handed over to the Council in August 2017.

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

| Movement in Value of Assets | £000 |
|--|---------------|
| Valuation at 1 April 2020 | 23,093 |
| Additions/Revaluations | 28 |
| Depreciation in Year | (625) |
| NET BOOK VALUE AT 31 MARCH 2021 | 22,496 |

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

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

The total value of payments over the remainder of the contract before inflation will be £44.947m and the total value of income from the Scottish Government will be £39.664m leaving a net outstanding undischarged obligation of £5.283m

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

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

| | Estimated Cash Value of Payments Due to be Made | | | | Total £000 |
|------------------------|---|--------------------|---------------|--------------------|---------------|
| | Liability | Contingent Rent | Interest | Service Charges | |
| | £000 | £000 | £000 | £000 | |
| Within 1 year | 616 | 27 | 1,333 | 211 | 2,187 |
| Within 2 to 5 years | 2,330 | 83 | 4,934 | 1,531 | 8,878 |
| Within 6 to 10 years | 3,304 | 44 | 5,270 | 2,794 | 11,412 |
| Within 11 to 15 years | 4,727 | 153 | 3,994 | 2,930 | 11,804 |
| Within 16 to 20 years | 6,930 | 439 | 2,120 | 2,760 | 12,249 |
| Within 20 to 25 years | 2,325 | 158 | 147 | 769 | 3,399 |
| ESTIMATED TOTAL | 20,232 | 904 | 17,798 | 10,995 | 49,929 |

(V) Clyde Valley Waste Recycling Plant

In January 2020 the Council entered into a 25 year contract for waste recycling which utilises residual waste to obtain thermal gain. North Lanarkshire is the lead authority, with an additional four councils taking part in the project through an Inter Authority Agreement. Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

| Movement in Value of Assets | £000 |
|--|--------------|
| Valuation at 1 April 2020 | 2,972 |
| Additions/Revaluations | (14) |
| Depreciation in Year | (145) |
| NET BOOK VALUE AT 31 MARCH 2021 | 2,813 |

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the provider fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the contracts as at 31 March 2021 including an adjustment for inflation and excluding any estimation of availability and performance deductions are as follows:

| | Estimated Cash Value of Payments Due to be Made | | | |
|------------------------|---|--------------|--------------|---------------|
| | Operating Costs | Liability | Interest | Total |
| | £000 | £000 | £000 | £000 |
| Within 1 year | 2,000 | 78 | 161 | 2,239 |
| Within 2 to 5 years | 8,555 | 313 | 598 | 9,466 |
| Within 6 to 10 years | 11,956 | 515 | 635 | 13,106 |
| Within 11 to 15 years | 13,834 | 376 | 528 | 14,738 |
| Within 16 to 20 years | 15,493 | 793 | 357 | 16,643 |
| Within 20 to 25 years | 12,748 | 761 | 105 | 13,614 |
| ESTIMATED TOTAL | 64,586 | 2,836 | 2,384 | 69,806 |

**Notes to the Accounts (cont'd)****36. IMPAIRMENT LOSSES****Impairment of Assets**

Impairment losses/(reversals) of £14.292m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

| | Losses | Reversal of Previous Losses | Net Loss/(Reversal) |
|---|---------------|--|--------------------------------|
| | £000 | £000 | £000 |
| Property, Plant & Equipment and Assets Held for Sale | 14,959 | (667) | 14,292 |

37. TERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2020/21 incurring liabilities of £0.16m (£2.07m in 2019/20). This was in respect of 6 officers (95 officers in 2019/20) from across the Council. The Remuneration Report at page 45 provides further details on exit packages.

38. PENSION SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES

East Renfrewshire Council participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees' contributions.

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

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

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

The employer contribution rate for the period 1 April 2020 is 23.0% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. In addition £0.34m was paid (2019/20 £0.34m) in respect of added years.

While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms were unlawfully discriminating on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the



Notes to the Accounts (cont'd)

cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The total contribution paid into the Teachers' Pension Scheme during the year ending 31 March 2020, by East Renfrewshire Council was £11.525m, equating to approximately 2.06% of the total contributions made to the scheme and the amount paid during the year ending 31 March 2021 was £13.523m.

39. DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

Benefits

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

Governance

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



Notes to the Accounts (cont'd)

appropriate period of notice to the other party. Any deficit arising from the cessation valuation will usually be levied on the departing admission body as a capital payment.

Discretionary Post-retirement Benefits

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

Transactions Relating to Post-Employment Benefits

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

| | Local Government Pension Scheme | |
|--|---|---|
| | 2020/21 £000 | 2019/20 £000 |
| Included in net cost of services within Comprehensive Income and Expenditure Statement | | |
| <ul style="list-style-type: none"> • Current service cost • Past service costs (including curtailments) • Effect of settlement • Contributions in respect of unfunded benefits | 22,330 24 - | 25,649 (3,303) - |
| <i>Included within Financing and Investment Income and Expenditure</i> | | |
| <ul style="list-style-type: none"> • Net interest cost | (1,297) 2,219 | (1,276) 3,391 |
| <i>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</i> | 23,276 | 24,461 |
| Included within Other Comprehensive Income and Expenditure | | |
| <ul style="list-style-type: none"> • Expected return on scheme assets • Actuarial (gains) and losses on changes in demographic assumptions • Actuarial (gains) and losses arising on changes in financial assumptions • Other | (117,286) (10,701) 155,078 (6,387) | 35,736 (69,734) (22,477) (3,273) |
| | 43,980 | (35,287) |
| Movement in Reserves Statement | | |
| <ul style="list-style-type: none"> • Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme • Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services • Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 12,131 (23,276) (11,145) | 11,960 (24,461) (12,501) |

**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 Council's obligation in respect of its defined benefit plans is as follows:

| | Local Government Pension Scheme | |
|--|--|-------------------------|
| | 2020/21 £000 | 2019/20 £000 |
| Present value of the defined benefit obligation | (755,122) | (602,311) |
| Fair value of plan assets | 635,679 | 514,717 |
| Net liability arising from defined benefit obligation | (119,443) | (87,594) |

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

| | Local Government Pension Scheme | |
|---|--|-------------------------|
| | 2020/21 £000 | 2019/20 £000 |
| Opening fair value of scheme assets | 514,717 | 534,941 |
| Effect of Settlement | | |
| Interest income | 11,845 | 12,870 |
| Remeasurement gain/(loss) | | |
| • The return on plan assets, excluding the amount included in the net interest expenses | 117,286 | (35,736) |
| • Other | (8,722) | - |
| The effect of changes in foreign exchange rates | | |
| Contributions from employer | 12,131 | 11,960 |
| Contributions from employees into the scheme | 3,860 | 3,571 |
| Benefits paid | (15,438) | (12,889) |
| Closing fair value of scheme assets | 635,679 | 514,717 |

Reconciliation of Present Value of the Scheme Liabilities

| | Funded liabilities: Local Government Pension Scheme | |
|--|--|-------------------------|
| | 2020/21 £000 | 2019/20 £000 |
| Opening balance at 1 April | (602,311) | (669,782) |
| Effect of Settlement | - | - |
| Current service cost | (22,330) | (25,649) |
| Interest cost | (14,064) | (16,261) |
| Contributions from scheme participants | (3,860) | (3,571) |



Notes to the Accounts (cont'd)

| | | |
|--|------------------|------------------|
| Remeasurement gains and (losses) | | |
| • Actuarial gains and (losses) on changes in demographic assumptions | 10,701 | 22,477 |
| • Actuarial gains and (losses) arising on changes in financial assumptions | (155,078) | 69,734 |
| • Other | 15,109 | 3,273 |
| Past service cost | (24) | 3,303 |
| Benefits paid | 16,735 | 14,165 |
| Closing balance at 31 March | (755,122) | (602,311) |

Local Government Pension Scheme assets comprised:

| Asset Category | 31-Mar-21 | | | | 31-Mar-20 | | | |
|--|---------------------------------|-------------------------------------|----------------|------------|---------------------------------|-------------------------------------|----------------|------------|
| | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total | | Quoted Prices in Active Markets | Prices not quoted in Active Markets | Total | |
| | £000 | £000 | £000 | % | £000 | £000 | £000 | % |
| Equity Securities: | | | | | | | | |
| Consumer | 36,602 | - | 36,602 | 6 | 32,962 | 93 | 33,055 | 6 |
| Manufacturing | 35,961 | 299 | 36,260 | 6 | 26,707 | 81 | 26,787 | 5 |
| Energy and Utilities | 6,530 | 109 | 6,640 | 1 | 6,881 | - | 6,881 | 1 |
| Financial Institutions | 22,501 | - | 22,501 | 4 | 22,189 | - | 22,189 | 4 |
| Health and Care | 17,459 | 275 | 17,734 | 3 | 13,032 | 133 | 13,165 | 3 |
| Information Technology | 29,414 | - | 29,414 | 5 | 16,963 | 4 | 16,967 | 3 |
| Other | - | - | - | - | - | - | - | - |
| Debt Securities | | | | | | | | |
| Corporate Bonds (investment grade) | - | - | - | - | 16,150 | - | 16,150 | 3 |
| Corporate Bonds (non-investment grade) | - | - | - | - | - | - | - | - |
| UK Government | - | - | - | - | - | - | - | - |
| Other | - | - | - | - | - | - | - | - |
| Private Equity: | | | | | | | | |
| All | - | 113,698 | 113,698 | 18 | - | 61,506 | 61,506 | 12 |
| Real Estate: | | | | | | | | |
| UK Property | - | 51,504 | 51,504 | 8 | - | 46,603 | 46,603 | 9 |
| Overseas Property | - | - | - | - | - | - | - | - |
| Investment funds and unit trusts: | | | | | | | | |
| Equities | 5,982 | 216,349 | 222,331 | 35 | 146,186 | 12,671 | 158,857 | 31 |
| Bonds | - | 85,974 | 85,974 | 14 | 22,509 | 37,083 | 59,593 | 12 |
| Hedge Funds | - | - | - | - | - | - | - | - |
| Commodities | - | 269 | 269 | - | 258 | - | 258 | - |
| Infrastructure | - | 642 | 642 | - | - | - | - | - |
| Other | - | 1,323 | 1,323 | - | - | 660 | 660 | - |
| Derivative: | | | | | | | | |
| Inflation | - | - | - | - | - | - | - | - |
| Interest rate | - | - | - | - | - | - | - | - |
| Foreign exchange | - | - | - | - | - | - | - | - |
| Other | 115 | - | 115 | - | 11 | - | 11 | - |
| Cash and cash equivalents | | | | | | | | |
| All | 10,241 | 431 | 10,672 | 2 | 26,497 | 25,536 | 52,034 | 10 |
| Totals | 164,806 | 470,873 | 635,679 | 100 | 330,345 | 184,372 | 514,717 | 100 |

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



Notes to the Accounts (cont'd)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson an independent firm of actuaries, estimates for the Strathclyde Pension Fund being based on the latest full valuation of the scheme as at 31 March 2020.

The principal assumptions used by the actuary have been:-

| | Local Government Pension Scheme | |
|---|--|----------------|
| | 2020/21 | 2019/20 |
| Investment returns | 25.1% | (4.3%) |
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners: | | |
| • Men | 19.8 years | 20.7 years |
| • Women | 22.6 years | 22.9 years |
| Longevity at 65 for future pensioners: | | |
| • Men | 21.2 years | 22.2 years |
| • Women | 24.7 years | 24.6 years |
| Rate of increase in salaries | 3.55% | 3.0% |
| Rate of increase in pensions | 2.85% | 1.9% |
| Rate for discounting scheme liabilities | 2.00% | 2.3% |

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

| Change in assumptions at 31 March 2021: | Approximate % increase to Employer Liability | Approximate monetary amount £000 |
|--|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 75,048 |
| 0.5% increase in the Salary Increase Rate | 1% | 9,480 |
| 0.5% increase in the Pension Increase Rate | 8% | 63,810 |

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.



Notes to the Accounts (cont'd)

Impact on the Council's Cash Flow

The objectives of the Fund are to keep employers' contributions at as constant a rate as possible. The Fund has agreed a strategy to achieve a funding rate of 100% in the longer term. The Scheme is a multi-employer defined benefit plan and employers' contributions have been determined so that employee and employer rates are standard across all participating Local Authorities. Employer's contributions have been set at 19.3% for the next three years following completion of the triennial valuation as at 31 March 2020.

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

The total contribution expected to be made by Council to Strathclyde Pension Fund in the year to 31 March 2022 is £12.038 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years (19.5 years 2019/20).

40. CONTINGENT LIABILITIES

There are contingent liabilities arising from insurance claims and a small number of legal cases currently in dispute. Also holiday pay issues are currently subject to Employment Law litigation on a national level and will not be resolved for a number of months. No liability has currently been accepted and no liability may arise. In addition, the potential impact of the pension rights awarded in cases with same-sex married couples and civil partnerships, known as the Goodwin case, has been identified. The Pension Fund Actuary estimates the impact is between 0.1% and 0.2% of total liability for each admitted body. These potential costs have not been included in these accounts. Further contingent liabilities exist in relation to the Council's share of any potential future claims against the former Strathclyde Regional Council and any shortfall in Government Funding to cover the additional pressures faced by the Council in connection to Covid-19.

In terms of East Renfrewshire Culture and Leisure Trust's admission to the Strathclyde Pension Scheme, the Council has guaranteed to accept liability for any unfunded pension costs should they cease to exist, withdraw from the scheme or become unable to meet any unfunded liability. In addition, funding will be provided to the Trust should their trading activities need support beyond the agreed management fee. The Council has not quantified the possible liability.

41. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council'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 Council
- liquidity risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.



Notes to the Accounts (cont'd)

Overall Procedures for Managing Risk

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

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

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. 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 for 2020/21 including the prudential indicators was approved by Council on 27 February 2020 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2020/21 was set at £262.707m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £239.625m. 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.



Notes to the Accounts (cont'd)

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

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Credit ratings, as follows:-

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

The Council's [Capital Investment Strategy for 2020/21](https://www.eastrenfrewshire.gov.uk/media/1180/Full-Council-Meeting-item-11/pdf/Council_Item_11_-_27_February_2020.pdf?m=637390021868600000) was approved by Council on 27 February 2020 (https://www.eastrenfrewshire.gov.uk/media/1180/Full-Council-Meeting-item-11/pdf/Council_Item_11_-_27_February_2020.pdf?m=637390021868600000)

The Council's maximum exposure to credit risk in relation to its investments in banks, £12.5m, cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2021 that this was likely to crystallise.

Amounts Arising from Expected Credit Losses

At the end of the financial year expected credit losses were calculated on all amortised assets, on a 12 month basis, with the exception of investments in central government and other local authorities. This amount totalled £860 (2019/20 £2,099) during the year, the Council did not write off any financial assets.

Credit Risk Exposure

The Council has the following exposure to risk at 31 March 2021.

| £000s | Credit Risk rating | Gross Carrying Amount (£) | Exposure to Credit Risk (£) |
|---------------------------------|--------------------|---------------------------|-----------------------------|
| 12-month expected credit losses | AAA | 29,180,000 | - |
| | AA- | 30,000,000 | - |
| | A+ | 5,000,000 | 792 |
| | A | 7,500,000 | 68 |

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

| | | | |
|---|---|-----------|---|
| Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates) | Less than 3 months and past due date | 214,000 | - |
| | Three to six months | 78,000 | - |
| | Six months to one year | 173,000 | - |
| | More than one year | 1,162,000 | - |

The Council does not generally allow credit for customers, such that as at 31 March 2021 £1.627m of the £7.235m (£1.776m of £2.276m as at 31 March 2020) sundry income debtor balances are past their due date for payment.

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

Liquidity Risk

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

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

The maturity analysis of financial liabilities is as follows:

| | 31 March 2021 | 31 March 2020 |
|-----------------------------------|----------------------|----------------------|
| | £000 | £000 |
| Less than one year | 383 | 561 |
| Between one and two years | 828 | 383 |
| Between two and five years | 392 | 1,205 |
| More than five years | 112,623 | 112,638 |
| | 114,226 | 114,787 |

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

Market Risk**Interest Rate Risk**

The Council 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 Council. For instance, a rise in interest rates would have the following effects:

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

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

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a

treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

If interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | £000 |
|--|-------------|
| Increase in interest payable on variable rate borrowings | 231 |
| Increase in interest receivable on variable rate investments | - |
| Increase in government grant receivable for financing costs | (281) |
| Impact on Surplus or Deficit on the Provision of Services | (50) |
| Share of overall impact debited to the HRA | (15) |
| | |
| Decrease in fair value of fixed rate investment assets | 52 |
| | |
| 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) | 24,075 |

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 Council 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 2016/17 to 2020/21.



Housing Revenue Account Income and Expenditure Statement

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

| | HRA Notes | 2020/21 £000 | 2019/20 £000 |
|---|--------------|-----------------|-----------------|
| Income | | | |
| Dwelling Rents | | (12,027) | (11,423) |
| Non-dwelling Rents | | (180) | (199) |
| Other Income | | (1,004) | (940) |
| Total Income | | (13,211) | (12,562) |
| Expenditure | | | |
| Repairs and Maintenance | | 4,906 | 5,009 |
| Supervision and Management | | 3,583 | 3,531 |
| Depreciation and Impairment on Non-Current Assets | | 6,618 | 9,290 |
| Movements in the Impairment of Debtors | 4 | 264 | 204 |
| Other expenditure | | 830 | 251 |
| Total Expenditure | | 16,201 | 18,285 |
| Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement | | 2,990 | 5,723 |
| HRA Services' Share of Corporate and Democratic Core | | 34 | 38 |
| Net Cost for HRA Services | | 3,024 | 5,761 |
| 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 | | - | - |
| • Interest Payable and Similar Charges | | 1,306 | 1,162 |
| • Interest and Investment Income | | (12) | (17) |
| • Pension Interest Cost and Expected Return on Pension Assets | | 99 | 162 |
| • Rental Income – operating lease over Property, Plant and Equipment | | (201) | (188) |
| • Capital Grants and Contributions Receivable | | (1,882) | (1,425) |
| (Surplus) or Deficit for the Year on HRA Services | | 2,334 | 5,455 |



Notes to the Housing Revenue Account

Movement on the Housing Revenue Account Statement

| | HRA Notes | 2020/21 £000 | 2019/20 £000 |
|---|--------------|-----------------|-----------------|
| (Surplus) or Deficit for the Year on HRA Income and Expenditure Statement | | 2,334 | 5,455 |
| Adjustments between Accounting Basis and Funding Basis Under Statute | 1 | (2,239) | (6,053) |
| Net (Increase) or Decrease Before Transfers to or from Reserves | | 95 | (598) |
| (Increase) or Decrease in Year on the HRA | | 95 | (598) |
| Balance on the HRA at the end of the Previous Year | | (2,316) | (1,718) |
| Balance on the HRA at the end of the Current Year | | (2,221) | (2,316) |

Housing Revenue Account Disclosures

1. Adjustments between Accounting Basis and Funding Basis under Statute

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Gain or loss on sale of HRA non-current assets | - | - |
| Capital expenditure funded by the HRA | 100 | - |
| Transfer (to)/from the Capital Adjustment Account: | | |
| • Depreciation | (6,618) | (9,290) |
| • Capital Grants and Contributions | 1,882 | 1,425 |
| • Repayment of Debt | 2,938 | 2,567 |
| HRA share of contributions to or from the Pensions Reserve | (497) | (753) |
| Transfer to/from the Statutory Compensated Absences Account | (44) | (2) |
| | (2,239) | (6,053) |

2. Housing Stock

Council's housing stock at 31 March 2021 was 2,994 (2,990 at March 2020) in the following categories:

| | 2020/21 Number | 2019/20 Number |
|--------------|-------------------|-------------------|
| 1 Apartment | 172 | 172 |
| 2 Apartment | 938 | 938 |
| 3 Apartment | 1,270 | 1,270 |
| 4 Apartment | 533 | 529 |
| 5 Apartment | 77 | 77 |
| 6 Apartment | 4 | 4 |
| Total | 2,994 | 2,990 |

3. Rent Arrears

At the year-end rent arrears amounted to £1,390,559 (2019/20: £1,116,203) of which the current rent arrears were £950,435 (2019/20: £657,517) representing 7.1 % (2019/20: 4.4%) of gross rent due and former tenant arrears amounted to £440,124 (2019/20: £458,686). In addition, the figure contains £27,269 (2019/20: £19,465) in respect of outstanding Housing Benefit Overpayments.



Notes to the Housing Revenue Accounts (cont'd)

4. Impairment of Debtors

In the financial year 2020/21, the bad debt provision for the Housing Revenue Account was increased by £264,272, resulting in a bad debt provision balance of £1,313,575 (2019/20: £1,049,303).

5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £377,764 (2019/20: £392,548).



National Non Domestic Rates

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

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

| | 2020/21 | 2019/20 |
|---|----------------|----------------|
| | £000 | £000 |
| Gross rates levied and the contributions in lieu | 18,998 | 20,280 |
| Less: | | |
| • Reliefs and other deductions | (13,005) | (6,050) |
| • Payments of interest | - | - |
| • Write-offs of uncollectable debts and allowance for impairment | (481) | (261) |
| Net Non-Domestic Rate Income collected | 5,512 | 13,969 |
| Collection adjustment to meet Provisional Contribution Amount | 1,106 | 1,208 |
| Contribution to Non Domestic Rate pool | 6,618 | 15,177 |
| Distribution from Non Domestic Rate pool | 9,961 | 15,377 |
| Adjustments for years prior to the pool | - | - |
| Non-Domestic Rate income retained by Council (BRIS) | - | - |
| Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14) | 9,961 | 15,377 |

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 2020/21 was £0.498 (2019/20 £0.49)

| | Number | Rateable Value as at 1 April 2020 £ |
|----------------------------------|---------------|--|
| Shops | 597 | 15,809,400 |
| Offices | 354 | 3,522,620 |
| Hotels, Boarding Houses etc. | 15 | 567,900 |
| Industrial and Freight Transport | 159 | 1,447,520 |
| Subject Miscellaneous | 421 | 17,585,576 |
| Subjects Other | 269 | 3,460,640 |
| Total | 1,815 | 42,393,656 |



Council Tax

Local Councils raise taxes from residents through the Council Tax - which is a property tax linked to property values. Each dwelling in a local council area is placed into one of 8 valuation bands (A to H). The local council 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.

| | 2020/21 £000 | 2019/20 £000 |
|---|-----------------|-----------------|
| Gross Council Tax levied and contributions in lieu | 66,638 | 62,913 |
| Adjustments for prior years Council Tax | (82) | (91) |
| Adjusted for: | | |
| • Council Tax Reduction Scheme | (4,142) | (3,567) |
| • Council Tax Benefits (Net of Government Grants) | 5 | 12 |
| • Other discounts and reductions | (6,584) | (6,330) |
| • Uncollectable debt and allowance for impairment | (1,404) | (767) |
| Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14) | 54,431 | 52,170 |

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 2020/21 was £1,289.96 (2019/20: £1,230.41).

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

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

**Council Tax (cont'd)****Calculation of the Council Tax Base 2020/21***

| | No. of Dwellings | No. of Exemptions | Disabled Relief | Discounts 25% | Discounts 50% | Total Dwellings | Ratio to Band D | Band D Equivalents |
|--------|------------------|-------------------|-----------------|---------------|---------------|-----------------|-----------------------------------|--------------------|
| BAND A | 1,334 | (153) | 0 | (187) | (12) | 982 | 240/360 | 655 |
| BAND B | 5,247 | (267) | 7 | (600) | (20) | 4,367 | 280/360 | 3,396 |
| BAND C | 4,019 | (124) | 45 | (407) | (20) | 3,513 | 320/360 | 3,123 |
| BAND D | 6,638 | (184) | (12) | (612) | (16) | 5,814 | 1 | 5,814 |
| BAND E | 8,270 | (135) | (13) | (536) | (17) | 7,569 | 473/360 | 9,945 |
| BAND F | 6,293 | (62) | (39) | (305) | (13) | 5,874 | 585/360 | 9,546 |
| BAND G | 6,591 | (72) | (6) | (275) | (13) | 6,225 | 705/360 | 12,191 |
| BAND H | 752 | (2) | 0 | (16) | (4) | 730 | 882/360 | 1,789 |
| | | | | | | | TOTAL | 46,459 |
| | | | | | | | Provision for non-collection (2%) | (929) |
| | | | | | | | Council Tax Base | 45,530 |

*Source: A Questionnaire requested by the Scottish Government entitled Council Tax Base 2019

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 2020/21 was £1,289.96.

| | | | |
|--------|-----------|--------|-----------|
| BAND A | £859.97 | BAND E | £1,694.87 |
| BAND B | £1,003.30 | BAND F | £2,096.19 |
| BAND C | £1,146.63 | BAND G | £2,526.18 |
| BAND D | £1,289.96 | BAND H | £3,160.41 |

**Common Good Fund**

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

Movement in Reserves statement for the year ending 31 March 2021

| | 2020/21 Unusable Reserve £000 | 2019/20 Unusable Reserve £000 |
|--|--|--|
| Balance at 1 April | (1,877) | (1,953) |
| Deficit / (surplus) on the provision of services | 164 | 76 |
| Other comprehensive income and expenditure | - | - |
| Balance at 31 March | (1,713) | (1,877) |

Comprehensive Income and Expenditure Statement for the year ending 31 March 2021

| | Expenditure £000 | 2020/21 Income £000 | Net £000 | Expenditure £000 | 2019/20 Income £000 | Net £000 |
|---|---------------------|---------------------------|-------------|---------------------|---------------------------|-------------|
| Net costs of services | 164 | - | 164 | 76 | - | 76 |
| (Surplus) or deficit | 164 | - | 164 | 76 | - | 76 |
| (Surplus) / deficit on revaluation of fixed assets | | | | | | - |
| Total Comprehensive (Income) and Expenditure | | | 164 | | | 76 |

Balance Sheet

| | 2020/21 £000 | 2019/20 £000 |
|-------------------------------|-----------------|-----------------|
| Property, Plant and Equipment | 1,713 | 1,877 |
| Net Assets | 1,713 | 1,877 |
| Unusable Reserve: | | |
| Revaluation Reserve | (627) | (673) |
| Capital Adjustment Account | (1,086) | (1,204) |
| Net Reserves | (1,713) | (1,877) |

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

| | Land and Buildings 2020/21 £000 | Land and Buildings 2019/20 £000 |
|--|---------------------------------------|---------------------------------------|
| Cost or Valuation at 1 April | 1,972 | 1,976 |
| Additions | - | - |
| Donations | - | - |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (26) | - |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (58) | 5 |
| Derecognition – disposals | - | - |
| Derecognition – other | - | - |
| Assets reclassified (to)/from Held for Sale | - | - |
| Other movements in cost or valuation | (55) | (9) |
| As at 31 March | 1,833 | 1,972 |
| Accumulated Depreciation and Impairment at 1 April | (95) | (23) |
| Depreciation charge | (80) | (81) |
| Depreciation written out on revaluation and disposal | 55 | 9 |
| Derecognition – other (transfers) | - | - |
| As at 31 March | (120) | (95) |
| Net Book Value at 31 March 2021 | 1,713 | |
| Net Book Value at 31 March 2020 | 1,877 | 1,877 |
| Net Book Value at 31 March 2019 | | 1,953 |



Group Comprehensive Income & Expenditure Statement

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

Year ended 31 March 2020

Year ended 31 March 2021

| Gross Expenditure Restated £'000 | Gross Income Restated £'000 | Net Expenditure £'000 | | Gross Expenditure £'000 | Gross Income £'000 | Net Expenditure £'000 |
|----------------------------------|-----------------------------|-----------------------|---|-------------------------|--------------------|-----------------------|
| 143,083 | (13,012) | 130,071 | Education | 166,018 | (14,978) | 151,040 |
| 117,969 | (67,380) | 50,589 | HSCP – Provision of Services | 133,984 | (81,534) | 52,450 |
| 35,259 | (9,207) | 26,052 | Environment | 36,297 | (6,316) | 29,981 |
| 20,906 | (14,530) | 6,376 | Corporate & Community – Community Resources | 21,049 | (14,510) | 6,539 |
| 419 | (164) | 255 | Chief Executive's Office | 429 | (114) | 315 |
| 4,723 | (3,557) | 1,166 | Other Expenditure & Income | 5,688 | (2,835) | 2,853 |
| 3,470 | (205) | 3,265 | Support Services – Chief Executive's Office | 3,463 | (263) | 3,200 |
| 14,813 | (2,131) | 12,682 | Support Services – Corp & Comm. | 14,096 | (53) | 14,043 |
| 3,211 | (827) | 2,384 | Support Services – Environment | 2,268 | (12) | 2,256 |
| | | | Share of operating results of subsidiaries:- | | | |
| 9,499 | (3,724) | 5,775 | ERC Leisure Trust | 8,773 | (3,084) | 5,689 |
| 76 | - | 76 | Common Good | 164 | - | 164 |
| 23 | (21) | 2 | Trust Funds | 2 | - | 2 |
| 353,451 | (114,758) | 238,693 | Net Cost of General Fund Services | 392,231 | (123,699) | 268,532 |
| 18,285 | (12,562) | 5,723 | HRA | 16,201 | (13,211) | 2,990 |
| 371,736 | (127,320) | 244,416 | Cost of Services | 408,432 | (136,910) | 271,522 |
| | | (1,041) | Other operating expenditure | | | (1,892) |
| | | 13,256 | Financing and investment income and expenditure | | | 12,221 |
| | | (254,578) | Taxation and non-specific grant income | | | (279,029) |
| | | 2,053 | (Surplus) / Deficit on Provision of Services | | | 2,822 |
| | | (2,652) | Share of operating results of associates | | | (509) |
| | | 306 | Share of operating results of joint venture | | | (2,879) |
| | | (293) | Group (Surplus) / Deficit (Note 1 Group) | | | (566) |
| | | (16,392) | (Surplus) / Deficit on revaluation of fixed assets | | | (7,324) |
| | | (62,658) | Actuarial (gains)/losses on pension assets/liabilities | | | 23,976 |
| | | (1,676) | Share of other comprehensive expenditure and income of associates and joint venture | | | (215) |
| | | (80,726) | Other Comprehensive (Income) and Expenditure | | | 16,437 |
| | | (81,019) | Total Comprehensive (Income) and Expenditure | | | 15,871 |

*the restated figures in 2019/20 relate to the removal of internal charges within the Environment Department



Group Movement in Reserves Statement

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

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

| | Unallocated General Fund Balance £000 | Earmarked General Fund Balance £000 | Housing Revenue Account £000 | Capital Grants & Receipts Unapplied £000 | Repairs & Renewals Fund £000 | Insurance Fund £000 | Capital Reserve £000 | Total Usable Reserves £000 | Unusable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Usable Reserves £000 | Share of Reserves of Subsidiary Associates and Joint Venture Unusable Reserves £000 | Total Authority Reserves £000 |
|--|--|--|---------------------------------|---|---------------------------------|------------------------|-------------------------|-------------------------------|---------------------------|--|--|----------------------------------|
| Balance at 31 March 2020 carried forward | (9,643) | (21,818) | (2,316) | - | (5,829) | (1,960) | (2,656) | (44,222) | (431,533) | (10,933) | (11,013) | (497,701) |
| Movement in reserves during 2020/21 | | | | | | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (1,630) | - | 4,216 | - | - | - | - | 2,586 | 13,380 | (3,152) | 3,057 | 15,871 |
| Adjustments between accounting basis & funding basis under regulations | (16,562) | - | (2,239) | - | - | - | 159 | (18,642) | 18,642 | (850) | 850 | - |
| (Increase)/Decrease in 2020/21 | (18,192) | - | 1,977 | - | - | - | 159 | (16,056) | 32,022 | (4,002) | 3,907 | 15,871 |
| Net transfer to or from Reserves | 16,165 | (13,776) | (1,882) | (1,920) | 1,593 | (9) | (171) | - | - | - | - | - |
| Balance at 31 March 2021 carried forward | (11,670) | (35,594) | (2,221) | (1,920) | (4,236) | (1,969) | (2,668) | (60,278) | (399,511) | (14,935) | (7,106) | (481,830) |
| Movement in reserves during 2019/20 | | | | | | | | | | | | |
| Total Comprehensive (Income) and Expenditure | (3,690) | - | 5,455 | - | - | - | - | 1,765 | (76,140) | (2,030) | (4,614) | (81,019) |
| Adjustments between accounting basis & funding basis under regulations | 2,301 | - | (6,053) | - | - | - | 1,452 | (2,300) | 2,300 | (672) | 672 | - |
| (Increase)/Decrease in 2019/20 | (1,389) | - | (598) | - | - | - | 1,452 | (535) | (73,840) | (2,702) | (3,942) | (81,019) |
| Net transfer to or from Reserves | 2,300 | (2,769) | - | - | 752 | (10) | (273) | - | - | - | - | - |
| Balance at 31 March 2020 carried forward | (9,643) | (21,818) | (2,316) | - | (5,829) | (1,960) | (2,656) | (44,222) | (431,533) | (10,933) | (11,013) | (497,701) |



Group Movement in Reserves Statement



Group Balance Sheet

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

| 31 March 2020 £000 | | 31 March 2021 £000 |
|-----------------------|--|-----------------------|
| 730,204 | Property, Plant & Equipment | 733,361 |
| 234 | Heritage Assets | 234 |
| 289 | Intangible Assets | 172 |
| 20,591 | Long-term Investments and/or Investments in Associates and Joint Venture | 24,268 |
| 262 | Investments | 255 |
| 751,580 | Long Term Assets | 758,290 |
| 986 | Assets Held for Sale | - |
| 481 | Short Term Intangible Assets | 481 |
| 516 | Inventories | 1,072 |
| 16,334 | Short Term Debtors | 32,405 |
| 34,248 | Short Term Investments | 7,999 |
| 41,467 | Cash and Cash Equivalents | 65,479 |
| 94,032 | Current Assets | 107,436 |
| (3,190) | Bank Overdraft | (2,579) |
| (561) | Short Term Borrowing | (383) |
| (4,864) | Finance Leases including PFI/PPP | (5,083) |
| (45,001) | Short Term Creditors | (50,492) |
| (209) | Provisions | (590) |
| (53,825) | Current Liabilities | (59,127) |
| (157) | Provisions – long term | (164) |
| (114,226) | Long Term Borrowing | (113,843) |
| (93) | Long Term Creditors | (93) |
| (264) | Liabilities in associates and joint venture | (338) |
| (83,837) | PFI/PPP Finance Lease | (78,712) |
| (89,441) | Defined Benefit Pension Liability | (125,369) |
| (6,068) | Capital Grant Receipts in Advance | (6,250) |
| (294,086) | Long Term Liabilities | (324,769) |
| 497,701 | Net Assets | 481,830 |
| (55,155) | Usable Reserves | (75,213) |
| (442,546) | Unusable Reserves | (406,617) |
| (497,701) | Total Reserves | (481,830) |

Margaret McCrossan CPFA
Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 15th June 2021 and the audited financial statements were authorised for issue by the Head of Accountancy on 25 November 2021

**Group Cash Flow Statement**

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

| 2019/20 | 2020/21 |
|---|--|
| £000 | £000 |
| (293) Net Group (surplus) or deficit on the provision of services | (566) |
| (7,830) Group adjustments to net surplus or deficit on the provision of services for non-cash movements | (22,616) |
| - Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | - |
| <hr style="width: 20%; margin-left: 0;"/> (8,123) Net cash flows from Operating Activities | <hr style="width: 20%; margin-right: 0;"/> (23,182) |
| 21,678 Investing Activities | 19,348 |
| <hr style="width: 20%; margin-left: 0;"/> (19,843) Financing Activities | <hr style="width: 20%; margin-right: 0;"/> (20,789) |
| (6,288) Net (increase) or decrease in cash and cash equivalents | (24,623) |
| <hr style="width: 20%; margin-left: 0;"/> (31,989) Cash and cash equivalents at the beginning of the reporting period | <hr style="width: 20%; margin-right: 0;"/> (38,277) |
| <hr style="width: 20%; margin-left: 0;"/> (38,277) Cash and cash equivalents at the end of the reporting period (Including Bank overdraft) | <hr style="width: 20%; margin-right: 0;"/> (62,900) |

**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.

| | 2020/21 £000 | 2019/20 £000 |
|--|-----------------------|-----------------------|
| (Surplus)/Deficit on East Renfrewshire Council's provision of services | 2,586 | 1,765 |
| (Surplus)/Deficit in year arising from subsidiaries included in Group Accounts: | | |
| Net expenditure/(income) on Trust Funds in year | - | - |
| Common Good | 164 | 76 |
| East Renfrewshire Culture and Leisure Trust | 72 | 212 |
| (Surplus)/Deficit in year arising from associates included in the Group Accounts: | | |
| <ul style="list-style-type: none"> • Strathclyde Partnership for Transport • Strathclyde Concessionary Travel Scheme Joint Committee • Renfrewshire Valuation Board | (382) (122) (5) | (2,663) 21 (10) |
| (Surplus)/Deficit in year arising from a joint venture included in the Group Account: | | |
| East Renfrewshire Integration Joint Board | (2,879) | 306 |
| GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES | (566) | (293) |



Notes to the Group Accounts (cont'd)

2. COMBINING ENTITIES

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

Subsidiaries:-

Common Good and Charitable Trusts

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

East Renfrewshire Culture and Leisure Trust

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

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

After accounting for FRS 102 Retirement Benefits, the net liabilities of the company were £3.942m at 31 March 2021. The loss on ordinary activities before and after taxation for the year to 31 March 2021 was £0.072m (2019/20 £0.212m).

The latest set of audited accounts is for the year to 31 March 2021. Copies of the audited accounts may be obtained from the Chief Executive, East Renfrewshire Culture and Leisure Trust, St John's Campus, 18 Commercial Road, Barrhead, East Renfrewshire, G78 1AJ.

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

Associates:-

Strathclyde Partnership for Transport

Is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland. The Council contributed £1.51m or 4.27% to the Council's running costs during 2020/21 and accounted for £18.872m (2019/20 £18.196m) of the net balance sheet assets within the Group Balance Sheet. The accounts of the Council 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.



Notes to the Group Accounts (cont'd)

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 2020/21 the Council contributed £0.180m or 4.45% to the annual running costs and accounted for £0.154m (2019/20 £0.032m) 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 £0.537m or 20.64% to the organisation's revenue costs and its share of the year-end net liability of £0.338m (2019/20 £0.264m) is included in the Group Balance Sheet.

Joint Venture:-

East Renfrewshire Integration Joint Board

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

Integration Joint Boards are specified as Section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their financial statements in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 supported by International Financial Reporting Standards (IFRS).

The East Renfrewshire Integration Joint Board receives contributions from its funding partners, namely East Renfrewshire Council and the Greater Glasgow and Clyde Health Board to fund its services. Expenditure is incurred in the form of charges for services provided to the Joint Board by its partners.

During 2020/21 the Council contributed £81.6m or 40.0% to the annual running costs and accounted for £5.242m (2019/20 £2.363m) of the net Balance Sheet assets within the Group Balance Sheet. The accounts of the Board are subject to independent audit and are available from the Chief Financial Officer to the East Renfrewshire Integration Joint Board, Eastwood Health and Care Centre, Drumby Crescent, Clarkston, G76 7HN.



Notes to the Group Accounts (cont'd)

3. FINANCIAL IMPACT OF CONSOLIDATION

The effect of inclusion of the Common Good along with the subsidiary, associate and joint venture entities and the trust fund balances on the Group Balance Sheet is to increase both Reserves and net assets by £22.041M, representing the Council's net share of the net assets in these entities.

4. ACCOUNTING POLICIES

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

5. PENSIONS

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

6. GOING CONCERN

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

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

**Notes to the Group Accounts (cont'd)****7. TRUST FUNDS**

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

| | | Balance 31.03.20 | Expenditure | Income | Balance 31.03.21 |
|--|----------------------------------|---|--------------|------------------------------|---------------------|
| | | £ | £ | £ | £ |
| Charity Number | | | | | |
| SCO05976 | Duff Memorial Fund | 7,459 | - | 56 | 7,515 |
| SCO16641 | Newton Mearns Benevolent Fund | 2,729 | 300 | 18 | 2,447 |
| SCO19475 | Janet Hamilton Fund | 13,700 | 1,059 | 249 | 12,890 |
| SCO19474 | John Pattison Memorial | 76 | 80 | 45 | 41 |
| SCO19473 | Hugh & Janet Martin Fund | 1,161 | 286 | 77 | 952 |
| SCO37293 | Netherlee School 1937 | 1,933 | - | 78 | 2,011 |
| SCO37925 | Talented Children & Young People | 19 | - | 3 | 22 |
| CHARITABLE REVENUE BALANCES | | 27,077 | 1,725 | 526 | 25,878 |
| | Thornliebank War Memorial Fund | 701 | - | 4 | 705 |
| | Anderson Bequest | 73 | - | 5 | 78 |
| | Cathcart Cemetery Fund | 6,287 | - | 44 | 6,331 |
| | Crum Memorial | 69 | - | 5 | 74 |
| | McNiven Prize | 933 | - | 9 | 942 |
| | Rev Denis Reen | 2,214 | - | 19 | 2,233 |
| | James Cowan Bequest | 398 | - | 4 | 402 |
| | Cowan Park Cropping Fund | 25 | - | 2 | 27 |
| | Annie Tyson Trust Fund | 48,155 | - | 948 | 49,103 |
| | Rita Donnelly Memorial Prize | 20 | - | - | 20 |
| OTHER TRUST FUND REVENUE BALANCES | | 58,875 | - | 1,040 | 59,915 |
| | | | | Capital Value of Fund | |
| | | | | 31.03.21 | 31.03.20 |
| | | | | £ | £ |
| The Principal Funds | Duff Memorial Fund | For the upkeep of Duff Memorial Hall | | 4,646 | 4,646 |
| | Janet Hamilton Fund | Assisting the sick requiring nursing or hospital treatment | | 40,131 | 40,131 |
| | John Pattison Memorial | Assisting the deserving poor in Barrhead | | 9,657 | 9,657 |
| | Hugh & Janet Martin Fund | For charitable and educational purposes | | 15,574 | 15,574 |
| | Netherlee School 1937 | To advance the education of the pupils of Netherlee Primary | | 15,000 | 15,000 |
| | Talented Children & Young People | For talented children and young people in the fields of arts and crafts | | 555 | 555 |
| | Other – Charitable | | | 1,500 | 1,500 |
| CHARITABLE TOTAL RESERVES | | | | 87,063 | 87,063 |
| | Annie Tyson Trust Fund | Assisting with special needs training | | 157,306 | 157,306 |
| | Other Trust Funds | | | 10,256 | 10,256 |
| OTHER TRUST FUND TOTAL RESERVES | | | | 167,562 | 167,562 |

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

| | | 2020/21 | 2019/20 |
|--|--------------------------|----------------|----------------|
| | | £ | £ |
| Balance Sheet – Charitable | Fund balances | 112,941 | 114,140 |
| | Creditors | - | - |
| | TOTAL LIABILITIES | 112,941 | 114,140 |
| | Investments | - | - |
| | Debtors | - | - |
| | Due by Loans Fund | 112,941 | 114,140 |
| | TOTAL ASSETS | 112,941 | 114,140 |
| | | | |
| | | 2020/21 | 2019/20 |
| | | £ | £ |
| Balance Sheet – Other Trust Funds | Fund balances | 227,477 | 226,437 |
| | Creditors | - | - |
| | TOTAL LIABILITIES | 227,477 | 226,437 |
| | Investments | - | - |
| | Debtors | - | - |
| | Due by Loans Fund | 227,477 | 226,437 |
| | TOTAL ASSETS | 227,477 | 226,437 |

8. NON MATERIAL INTEREST IN JOINT COMMITTEES

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

- **Scotland Excel** took up the activities of the Authorities Buying Consortium and similar bodies across the Scottish local authority sector on 1 April 2008. It is a not-for-profit organisation funded mainly by the 32 participating Scottish local authorities. During the year, the Council made a contribution of £74,031 (2019/20, £71,874) representing 2% (2019/20, 2%) of the organisation's estimated running costs for the year to 31 March 2021.
- The **Clydeplan** 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 £72,437 (2019/20, £52,437) representing 12.5% (2019/20, 12.5%) of the Committee's estimated running costs for the year to 31 March 2021.
- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and education guidance services. During the year, the Council made a contribution of £18,369.18 (2019/20, £16,400) representing 4.19% (2019/20 4.19%) of the consortium's estimated running costs for the year to 31 March 2021.



Notes to the Group Accounts (cont'd)

- 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 (2019/20, £7,619) representing 5.5% (2019/20 4.99%) of the Committee's estimated running costs for the year to 31 March 2021.
- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSEC). During the year, the Council made a contribution of £1,632 (2019/20 £1,632) representing 3.9% (2019/20 3.79%) of the Forum's estimated running costs for the year to 31 March 2021.
- The **Glasgow and Clyde Valley Cabinet** is a Joint Committee established on 20 January 2015. The purpose of the Committee is to determine the strategic Development priorities for the Clyde Valley Region and to monitor and ensure the delivery of the City Deal Programme as agreed between member authorities and the UK and Scottish Governments. The City Deal Programme aims to deliver a £1.1bn investment programme, including delivery of labour market and innovation programmes. During the year the Council made a contribution of £52,061 (2019/20 £67,028) representing 5.2% (2019/20 5.2%) of the organisation's running costs for the year to March 2021.
- The **SEEMIS Group LLP** was incorporated on 11 May 2009 and commenced trading on 1 July 2010. It is funded by the 32 authorities and the principal activity of the LLP is the provision of information technology solutions to education services. During the year, the Council made a contribution of £73,415 (2019/20 £64,315) representing 2.51% (2019/20 2.51%) of the organisation's running costs for the year to 31 March 2021.



Glossary of Terms

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

1. Gross Expenditure

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

2. Gross Income

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

3. Corporate and Democratic Core

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

4. Capital Charges

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

5. Financing Costs

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

6. Specific Government Grant

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

7. Capital Expenditure

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

8. Non-Current Assets

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

9. Revaluation Reserve

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

10. Capital Adjustment Account

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

11. Financial Instruments Adjustment Account

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

12. Capital Grant Receipts in Advance

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



Glossary of Terms (cont'd)

13. Pension Reserve

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

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

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

15. International Financial Reporting Standards (IFRS)

The basis on which Local Authority accounts are currently prepared.

16. Subsidiary

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

17. Associate

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

18. Joint Venture

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

19. Entity

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

20. Common Good

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



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