

MINUTE
of
EAST RENFREWSHIRE COUNCIL

Minute of virtual Meeting held at 4.00pm on 25 November 2021.

Present:

Provost Jim Fletcher	Councillor Annette Ireland
Deputy Provost Betty Cunningham	Councillor Alan Lafferty
Councillor Paul Aitken	Councillor David Macdonald
Councillor Caroline Bamforth	Councillor Jim McLean
Councillor Tony Buchanan (Leader)	Councillor Colm Merrick
Councillor Angela Convery	Councillor Stewart Miller
Councillor Danny Devlin	Councillor Jim Swift
Councillor Charlie Gilbert	Councillor Gordon Wallace

Provost Fletcher in the Chair

Attending:

Lorraine McMillan, Chief Executive; Margaret McCrossan, Head of Accountancy (Chief Financial Officer); Barbara Clark, Chief Accountant; Eamonn Daly, Democratic Services Manager; and Liona Allison, Assistant Committee Services Officer.

Also attending:

John Cornett, Louisa Yule and Emma-Rose Drummond, Audit Scotland.

Apologies:

Councillors Barbara Grant and Paul O’Kane.

DECLARATIONS OF INTEREST

1826. There were no declarations of interest intimated.

ANNUAL ACCOUNTS FOR THE COUNCIL’S CHARITABLE TRUSTS AND EXTERNAL AUDIT REPORT FOR 2020-21

1827. Under reference to the Minute of the meeting of the Audit and Scrutiny Committee held earlier that day (Page 1712, Item 1822 refers), the Council considered a report by the Head of Accountancy (Chief Financial Officer) explaining that the audit of the 2020-21 Annual Accounts for the seven charitable trusts for which the Council acted as trustee had been completed, that the Accounts had been amalgamated into one document, and that a copy was now submitted for consideration. In addition, the External Auditor’s report in respect of the Trusts, in compliance with the International Standard on Auditing (ISA) 260, was also submitted for consideration.

Councillor Miller, Chair of the Audit and Scrutiny Committee, having commented on the accounts and thanked all finance staff and external audit for their input, the Council approved the 2020-21 Annual Accounts for each of the Trusts and the associated External Auditor's report.

EAST RENFREWSHIRE COUNCIL ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR 2020-21

1828. Under reference to the Minute of the meeting of the Audit and Scrutiny Committee held earlier that day (Page 1712, Item 1823 refers), the Council considered a report by the Head of Accountancy (Chief Financial Officer) regarding the Annual Accounts for 2020-21, the associated draft Annual Audit Report prepared by the External Auditor, and a further report by the External Auditor on matters arising from the audit of the Council's financial statements for 2020-21 reported under ISA 260 requirements. The draft Audit report provided an overview of the main issues arising from the 2020-21 audit.

The Council had received an audit certificate which was unqualified. As the Council had operated comfortably within budget it had not required to draw down £3,500k from reserves as planned. Instead a contribution of £2,027k was made to the non-earmarked General Fund reserve, representing an improvement of £5,527k. As a consequence the Council's non-earmarked General Fund reserve had increased by £2,027K resulting in a balance of £11,670k as at 31 March 2021. At 4.5% of annual budgeted net revenue expenditure this was slightly above the Council's target of 4%. However it was noted that the balance would reduce by a further £3,750k during the current year in line with approved levels.

It was noted that the Council's General Fund reserve balances as at 31 March 2021 totalled £47,264k. This was an increase of £15,803k from last year and was mainly due to unspent COVID-19 related grants, largely received towards the end of the financial year. These grants would be used in the current financial year to meet COVID-19 pressures.

It was further noted that capital expenditure of £35,084k had been invested in addition to which there had been an operating deficit of £95k on the Housing Revenue Account, this decreasing the accumulated surplus balance to carry forward to £2,221k.

Councillor Miller was heard to comment further on the accounts and in response to Councillor Wallace confirmed that there had been no issues of concern raised at the meeting of the Audit & Scrutiny Committee.

Councillor Wallace referred to the COVID funding received from the Scottish Government and whether there was any likelihood of the unspent funding in reserves needing to be repaid. In reply the Head of Accountancy (Chief Financial Officer) explained that any COVID related funding was earmarked and could be carried forward with the expectation that it would be used for COVID-related matters in future years. This was not expected to change.

Thereafter Councillor Wallace raised matters in relation to the Council's capital accounting procedures both in respect of normally funded and PPI/PPP projects, to possible technical changes to accounting for capital expenditure being sought by the Scottish Government, and the potential impact any changes may have to the Council's capital programme.

Responding to Councillor Wallace the Head of Accountancy (Chief Financial Officer) reminded Elected Members of the changes that the Council had introduced in recent years whereby repayment costs for capital projects were spread over the life of the asset and not just over the life of the loan. Similar measures were being proposed in relation to PPI/PPP projects.

In relation to possible technical changes to accounting for capital projects, she explained that Directors of Finance were not supportive of the changes as they would potentially increase loan charges earlier in the life of a project and make it more expensive. The Scottish Government had been advised of these views. At this stage it was not clear on when a final decision would be made on whether the changes would be introduced.

Councillor Wallace questioned whether, in light of the absence of a decision by the Scottish Government, it would be prudent for the Council to go ahead with any capital projects.

In reply the Head of Accountancy (Chief Financial Officer) explained that even if the decision was made to introduce the changes it would take a long time for the technical guidance associated with the changes to be finalised. Were it decided not to undertake any capital projects in the short-term, the longer-term implications were that by the time agreement to proceed was reached, project costs would have risen. She reminded Members that the Council had a 10-year capital plan and projects could be prioritised based on available funds.

Having heard the Head of Accountancy (Chief Financial Officer) emphasise that Directors of Finance were opposed to the Scottish Government proposals. Councillor Buchanan explained that the proposals were not having a direct impact the Council's current capital plans with the greatest impact being due to increased costs as a result of Brexit.

Councillor Buchanan then offered thanks to the Audit & Scrutiny Committee for its work in reviewing the accounts and Audit Scotland report, and officers from both Audit Scotland and the Council's own finance and internal audit teams for their work.

Thereafter the Council agreed to:-

- (a) approve the Council's Annual Accounts for 2020-21; and
- (b) note the draft Annual Audit Report to the Council and Controller of Audit 2020-21 and the External Auditor's report on matters arising from the audit of the Council's 2020-21 Financial Statements prepared under requirements of ISA 260.

PROVOST

