

EAST RENFREWSHIRE COUNCILAUDIT AND SCRUTINY COMMITTEE26 September 2023Report by Head of Accountancy (Chief Financial Officer)2022/23 ANNUAL ACCOUNTS AND DRAFT ANNUAL AUDIT REPORT FOR EAST  
RENFREWSHIRE COUNCIL**PURPOSE OF REPORT**

1. The Audit of the Council's Annual Accounts for 2022/23 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 2022/23 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 2022/23 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 2022/23; and
  - Remit the report to Council for consideration.

**BACKGROUND**

3. The external audit of the Council's Annual Accounts for 2022/23 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: -

- The Council's affairs have again been managed within its operational budget, resulting in an overall improved position of £5.739m, much of which was of a one-off nature. The main variances were made up as follows:
  - improved income of £2.2m, including interest earned on temporary investment balances and higher Council Tax collection arising from new build completions
  - a lower requirement for miscellaneous budgets in relation to redundancies & other contingencies of £1.2m,

- teachers industrial action £1m and
  - departmental underspends and increased service income, including staff vacancies and contract savings of £1.339m as a result of tight financial controls over service spending
- Transfers totalling £5,600k have been made to following reserves to address current pressures faced by the Council:
 

▪ Modernisation Fund	£2,000k
▪ Workforce Restructuring Fund	£1,500k
▪ Repairs & Renewals Fund	£1,000k
▪ Employee Wellbeing & Development Fund	£400k
▪ Community Capacity Building Fund	£400k
▪ Get to Zero Fund	£200k
▪ Feasibility Fund	£100k
- After taking account of the budgeted drawdown of £5,253k, the £139k balance on the overall surplus has been allocated to the non-earmarked reserve resulting in a net decrease in this reserve of £5,114k.
  - The balance in the Council's non-earmarked reserve as at 31 March 2023 is £6,658k which equates to 2.3% of the annual budgeted net revenue expenditure and is within the Council's Reserves policy to hold a minimum level of around 2% and an upper target of 4%.
  - Significant Covid-19 spend of £8,744k has been incurred during the year of which £5,523k was funded from the reserve set up at the end of 2020/21. Further funding was also received during the year totalling £3,221k. The year-end Covid-19 reserve balance was £8,562k which will be allocated fully in 2023/24 to support residents and the local economy.
  - The Council's overall General Fund reserve balance (including earmarked funds) as at 31 March 2023 totals £52.114m. This is an increase of £5.925m from last year and mainly reflects the establishment of the new £14.8m Service Concession Reserve, after seeking approval to revise the PFI debt arrangements. In total, over £45.456m of General Fund reserve balance is earmarked for specific purposes.
  - Capital Expenditure of £46.189m was invested during 2022/23 despite progress on sites being impacted by increased costs and resource shortages.
  - An operational deficit of £0.069m has been made on the Housing Revenue Account, this decreasing the accumulated surpluses brought forward on that Account to £1.798m.

## **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 2022/23 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 2022/23 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 2022/23; and
  - Remit the report to Council for consideration.

**REPORT AUTHOR**

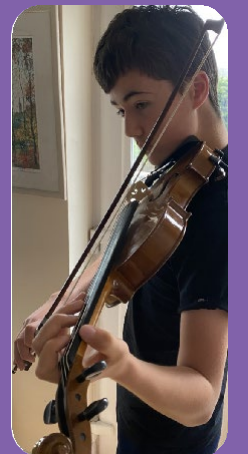
Head of Accountancy - Margaret McCrossan  
Chief Accountant - Barbara Clark Tel 0141 577 3068  
E-mail. [Barbara.Clark@EastRenfrewshire.gov.uk](mailto:Barbara.Clark@EastRenfrewshire.gov.uk)  
Report Date - 8 September 2023

**BACKGROUND PAPERS**

This report refers to the Council's Annual Accounts for 2022/23 and the External Auditor's Annual report to the Council and the Controller of Audit for 2022/23.

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# EAST RENFREWSHIRE COUNCIL AUDITED ANNUAL ACCOUNTS 2022/23





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# Management Commentary

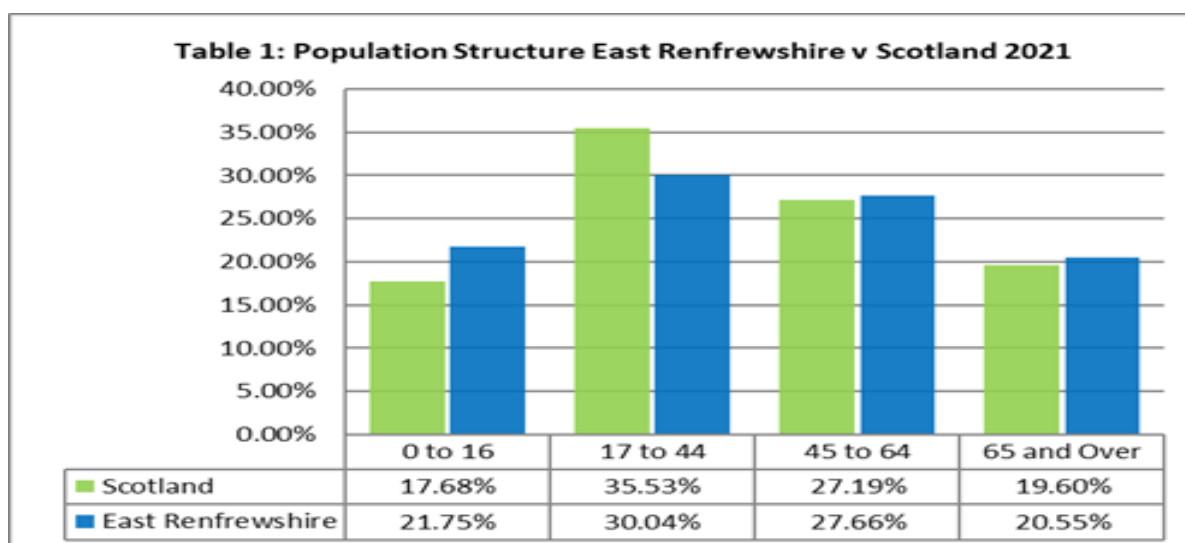
## 1. Introduction

This statement outlines key messages on the objectives and strategy of the Council and its financial performance during 2022/23 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 2021 was 96,580\*. This is our highest ever population, with an increase from 2020 of 0.54%. The 2018-2028\*\* Population Projections show that East Renfrewshire’s population will steadily increase by 6.4%. 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 over.



\*Source 2021 Mid-Year Population Estimates, National Records of Scotland published 3<sup>rd</sup> August 2022.

\*\* The publication 2020 Based Population has been delayed

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 during 2021/22 was made up of a coalition comprising of 5 SNP, 4 Labour and 1 Independent. Following the Local Government elections in May 2022 the composition of both the council and administration changed to 6 SNP, 5 Labour, 5 Conservative and 2 independent, with a minority administration comprising 5 labour and 1 independent. The management of East Renfrewshire was led by the Chief Executive, Lorraine McMillan who retired in the summer of 2023 and has been followed by Steven Quinn on 14 August 2023, who is the fourth Chief Executive of East Renfrewshire Council.

## 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,





## Management Commentary (cont'd)


present a true and fair view of the financial transactions of the Council operating as a going concern during the year to 31st March 2023. The Accounts are prepared in accordance with 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><b>Early Years and Vulnerable Young People</b></p>	<p>All children in East Renfrewshire experience a stable and secure start to their lives and are supported to succeed</p>	
<p><b>Learning, Life and Work</b></p>	<p>East Renfrewshire residents are healthy and active and have the skills for learning, life and work.</p>	
<p><b>Environment and Economy</b></p>	<p>East Renfrewshire is a thriving, attractive and sustainable place for businesses and residents.</p>	
<p><b>Safer, Supported Communities</b></p>	<p>East Renfrewshire residents are safe and live in supportive communities.</p>	
<p><b>Older People and People with Long-term Conditions</b></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.

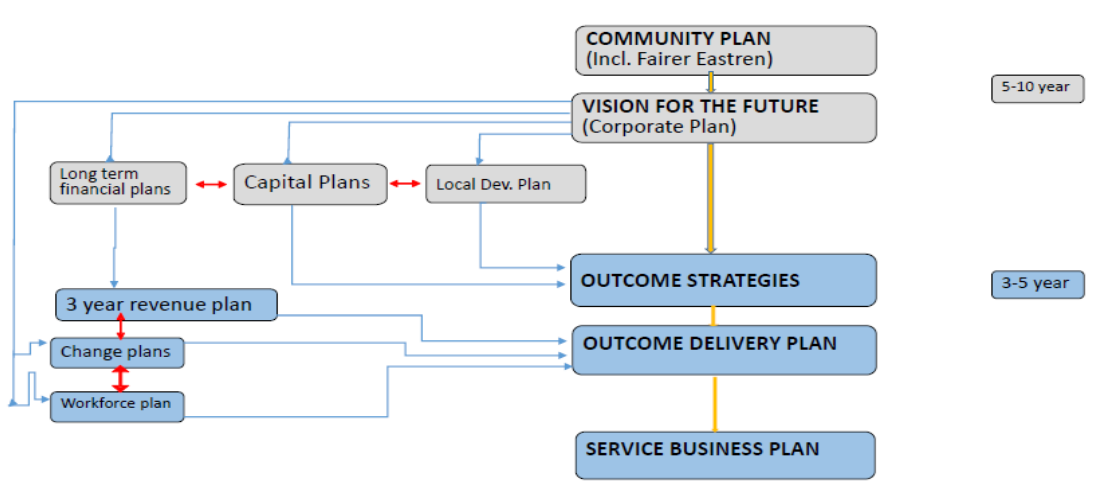


# Management Commentary (cont'd)

## 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. All 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.



Our **Vision for the Future** sets out a forward direction and ambition for the Council over a 10 year time period. The Council approved an updated Vision for the Future in February 2020. Vision for the Future is currently being updated with stakeholders and Council considered a report on progress, with an outline forward plan, in June 2023. The vision will be further shaped by engagement taking place with community planning partners, networks and groups throughout 2023.

Our **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 highlighted above. Link to plan click [here](https://www.eastrenfrewshire.gov.uk/media/8378/Community-plan-2018-to-2028/pdf/Community_Plan_2018_V4_FINAL_26_June_1.pdf?m=638029010808800000). [https://www.eastrenfrewshire.gov.uk/media/8378/Community-plan-2018-to-2028/pdf/Community\\_Plan\\_2018\\_V4\\_FINAL\\_26\\_June\\_1.pdf?m=638029010808800000](https://www.eastrenfrewshire.gov.uk/media/8378/Community-plan-2018-to-2028/pdf/Community_Plan_2018_V4_FINAL_26_June_1.pdf?m=638029010808800000)

**Fairer East Ren** is the part of the Community Plan focusing on tackling inequalities and closing the gap between communities. In 2020-21 a set of themed transitional plans for Fairer East Ren was approved covering child poverty, inclusive economic recovery, community well-being and connectivity and safe and connected communities. A one year update of the plan was agreed at Council in April 2023. Link to plan click [here](https://www.eastrenfrewshire.gov.uk/media/8297/Fairer-East-Ren-transition-plan-202220223/pdf/Fairer_East_Ren_transition_plan_202220223.pdf?m=638011746726930000). [https://www.eastrenfrewshire.gov.uk/media/8297/Fairer-East-Ren-transition-plan-202220223/pdf/Fairer\\_East\\_Ren\\_transition\\_plan\\_202220223.pdf?m=638011746726930000](https://www.eastrenfrewshire.gov.uk/media/8297/Fairer-East-Ren-transition-plan-202220223/pdf/Fairer_East_Ren_transition_plan_202220223.pdf?m=638011746726930000)

Our **Outcome Delivery Plan (ODP) 2022/23** builds on Vision for the Future and conveys what the Council is doing to contribute to the delivery of the agreed Community Planning local outcomes as well as a set of organisational outcomes focusing on our customers, employees and our levels of efficiency. A one year update of the plan was agreed at Council in April 2023. Link to plan click [here](https://www.eastrenfrewshire.gov.uk/media/7939/Outcome-Delivery-Plan-2022-2023/pdf/Read_the_Outcome_Delivery_Plan_2022_to_2023.pdf?m=637926985033670000). [https://www.eastrenfrewshire.gov.uk/media/7939/Outcome-Delivery-Plan-2022-2023/pdf/Read\\_the\\_Outcome\\_Delivery\\_Plan\\_2022\\_to\\_2023.pdf?m=637926985033670000](https://www.eastrenfrewshire.gov.uk/media/7939/Outcome-Delivery-Plan-2022-2023/pdf/Read_the_Outcome_Delivery_Plan_2022_to_2023.pdf?m=637926985033670000)

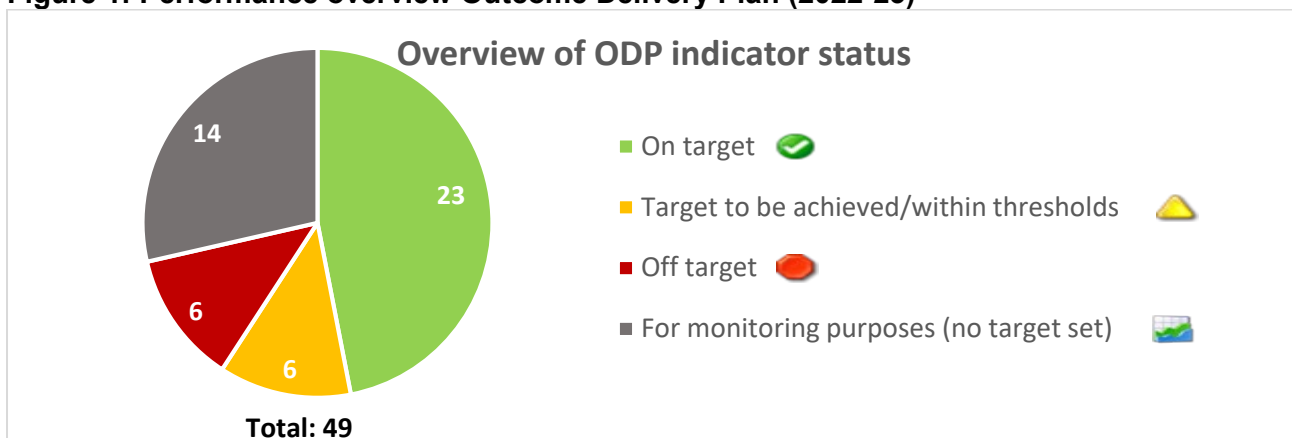


# Management Commentary (cont'd)

## Our performance

The Council's strategic performance management arrangements include a six monthly cycle of performance review meetings involving the Chief Executive, each Director and service managers, as well as elected members' scrutiny of performance at Council. The annual strategic end year performance report 2022/23 was considered at Council on 28 June 2023 and can be found using the following link: [https://www.eastrenfrewshire.gov.uk/media/9288/Council-Item-10-28-June-2023/pdf/Council\\_Item\\_10\\_-\\_28\\_June\\_2023.pdf?m=638231204317170000](https://www.eastrenfrewshire.gov.uk/media/9288/Council-Item-10-28-June-2023/pdf/Council_Item_10_-_28_June_2023.pdf?m=638231204317170000)

Figure 1: Performance overview Outcome Delivery Plan (2022-23)



A high level analysis of the strategic indicators in the Council's Outcome Delivery Plan (2022/23), shows 23 targets were met, six indicators had an amber status (where although target was still to be achieved at year this was not concerning). Targets were not set for 14 indicators, these were included for monitoring purposes. Of these 13 were education based measure, targets were not set given post-pandemic impact issues, as well as the changing context at the national level prompted by Scottish Attainment Funding requirements. The issues are currently being considered with new targets set for the academic year time period 2022-26. The Health and Social Care Partnership (HSCP) indicator on percentage of adults supported at home who agreed that they are supported to live as independently as possible, is a data only indicator and no specific target is set. Latest data (21/22) shows improving direction of travel on this indicator. Six indicators were off target and these are discussed below, as well as examples of the work being undertaken to achieve the outcomes for our residents, businesses and communities. Absence data for 22/23 is under review and therefore performance against the indicator target will be reported at a later date, when the data is verified.

Despite the challenging circumstances and the additional demands still being placed on services overall we performed extremely well across our strategic outcomes including educational attainment, supporting local businesses, providing new affordable housing, improving the energy efficiency of our street lighting, reducing carbon emissions, and recycling rates. Further information on progressing our strategic outcomes is listed below.

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

#### Outcome 1 - Indicator status summary

Status	Definition	Number
	On target	1
	Target to be achieved/within thresholds	1
	Off target	2
	For monitoring purposes (no target set)	1



## Management Commentary (cont'd)

East Renfrewshire continues to be the sector leading in Children’s Services, supporting parents to provide a safe, healthy and nurturing environment for their families. The ODP measures shows that 100% of children with multi-agency child protection plans have seen an increase in their level of safety at three monthly review periods. However, provision of advocacy services to children indicator is off target (red) at 61% and work is being undertaken to ensure a more consistent offer. There has been a significant increase in breastfeeding in our most deprived (SIMD 1) areas from 7.5% to 17.9% (red), however there is still work required to meet our target of 25%. The gap between breastfeeding rates in the most affluent (SIMD 5) and the most deprived (SIMD 1) areas, has decreased for the second year in a row, which is a positive change of direction from the increasing gap seen between 2017 and 2020.





Supporting children and families to recover from the global pandemic continues to be a priority. In East Renfrewshire the Family First team work with parents across the authority to help develop confidence and increase their skills by building on their strengths and supporting them to make links within their local community. A total of 340 families were supported by Family First service with 80% reporting an increase in confidence in various aspects of their life impacted by the pandemic. In addition, those participating reported an increase in communication between family members, providing an opportunity for a more sustainable and independent approach to recovery. Bespoke and targeted support to 24 families, focusing on increasing confidence and reducing concerns about leaving their children when entering employment has taken place, funded by Economic Recovery Funding. Reports indicate an improvement in wellbeing and employability skills.

All eligible children, including those choosing to defer entry to primary 1, are able to access their statutory entitlement of up to 1140 hours of funded early learning and childcare in a flexible way to suit their circumstances. Responding to feedback from families through the biennial consultation, increased flexibility has been made available, with families able to supplement their child’s entitlement by purchasing additional hours to meet different commitments, such as employment, training or caring commitments.

The Healthier Minds Service, established with support of a range of stakeholders during the pandemic, has also continued to support the mental health and wellbeing of children and young people, with 416 individual children and young people supported during the year. It continues to have a significant impact, with 93% of children & young people supported reporting improved mental health and wellbeing.

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

#### **Outcome 2 - Indicator status summary**

Status	Definition	Number
	On target	2
	Target to be achieved/within thresholds	2
	Off target	1
	For monitoring purposes (no target set)	12

East Renfrewshire Council continues to perform at the highest level across all attainment measures, meeting our ambition to be one of Scotland’s top performing education authorities. In addition, the department continues to perform strongly across all other achievement measures. This performance is achieved very efficiently, ranking average in terms of cost per pupil place. It is recognised that performance in tackling the attainment gap has been impacted by the Covid-19 pandemic, which continues to offer challenges across our education establishments. This has particularly impacted on pupils from more deprived backgrounds, resulting in the widening of the gap in primary attainment.



## **Management Commentary (cont'd)**





Through planned interventions, including the refresh of Pupil Equity Fund guidance and the launch of the Strategic Equity Fund, the department will continue to focus on efforts to tackle the attainment gap.

The participation rates amongst young people remains the highest level nationally, with 97% of 16-19 year olds participating. The proportion of school leavers (latest data) entering positive destinations was 98.5% the highest to date and well above the national average of 95.7%. The number of school learners undertaking and successfully completing a wide range of vocational qualifications with our further and higher education partners continued to grow in 2021/22 with 462 young people enrolled in a broad range of courses, a welcome increase following the reduction during the pandemic.

Attendances at sports/leisure centres and library visits have met target and positively we are continuing to see growing numbers of residents participating in leisure activities and people returning to use the libraries. Citizens' Panel respondents' on perceptions of their own levels of participation in fitness activities have dropped, however, East Renfrewshire Culture and Leisure Trust are working hard with customers to understand customers' needs and are regaining pre-pandemic levels of attendance and usage.

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

#### **Outcome 3 - Indicator status summary**

Status	Definition	Number
	On target	7
	Target to be achieved/within thresholds	2
	Off target	0
	For monitoring purposes (no target set)	0

East Renfrewshire Council continues to work with partners to help implement post Covid recovery measures. A particular focus has been to assist those furthest from the labour market into sustainable employment as well as helping increase footfall in our town centres by encouraging people to shop local via the Scotland Loves Local initiative and our Shop Local campaigns. We continue to provide a wide range of support and advice services in relation to town centre resilience, business survivability and growth and support to those looking for work or better paid work. Although there has been some underspend in the City Deal budget (off target) due to delays in two projects involving third parties, there has been progress in other regeneration projects. The Placed Based Investment Programme in 2022/23 funded over £553,000 in local regeneration projects which included the refurbishment of the Cowan Park Bandstand, new Town Centre digital signs and the development of green space at the Barrhead Waterworks for the local community food growing initiatives. Recycling rates increased in 2021/22 (56.6% to 58.1%) placing East Renfrewshire back as top recycling council in Scotland. This figure is well above the national average of 42.7% and is showing a significant bounce back as Covid-19 restrictions are lifted.

Despite a slight decrease in satisfaction, the majority of respondents to our Citizens' panel (86%) continued to rate our parks and open spaces positively. We completed a range of projects in 2022/23 to improve the quality and ensure variety in the type of open space, play and sports facilities available to residents.

Our Council target of building 270 new affordable homes (cumulative Local Housing Strategy target 2017-2023) has been exceeded with 344 being completed. 64 new build Council homes were delivered in 2022/23, 63% of a total of 102 new homes, as part of this programme. There remain challenges with the delivery of homes due to market conditions and the availability of labour and



## **Management Commentary (cont'd)**





materials, however, there are a further 60 or so new affordable homes expected in 2023/24. £5m has been invested in capital programme improvements for our tenants during 2022/23, covering a range of works including new kitchen installations and heating system upgrades.

Our Capital Improvement Programme continues with the additional investment of £3m per year up to and including 2023/24 in our road network. This aspect of the Capital Plan has now been extended to 2028/29 as part of the 2023/24 approved budget and the annual investment has increased to £3.5m per annum. 51 carriageway and 13 footway resurfacing schemes were completed in 2022/23, with assessment and prioritisation of schemes being based on agreed criteria. Our programme of replacing our street lighting lanterns with LEDs continues with 86% now LED helping to reduce our energy consumption by almost 16% compared with last year.

We continue to expand the Active Travel infrastructure across the authority with recent completion of two new shared use facilities on Stewarton Road and A77 Ayr Rd, introduced permanent segregation along Netherlee Road and construction has commenced on a new £1.2m active travel corridor on the A77 Ayr Road. We have played a supporting role to the Climate Clyde Forest (the regional initiative to increase tree canopy cover) and the £2.6m Levern Restoration project has restored a large area of derelict land in Barrhead town centre by relocating the river to create waterfront openspace, safe routes to school and increased flood capacity to mitigate climate change.

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

#### **Outcome 4 - Indicator status summary**

Status	Definition	Number
	On target	5
	Target to be achieved/within thresholds	0
	Off target	2
	For monitoring purposes (no target set)	0

East Renfrewshire remains one of the safest places to live in mainland Scotland and we work with our partners to maintain communities' safety. We continue to see a reduction in the number of reported crimes in the area with a low of 227 per 10,000 population in 2022/2023 from 265. Data on noise complaints dealt with by community wardens show 390 were made with 175 of these classified as anti-social behaviour. 17 of these calls (9.7%) were from customers who had previously reported issues with their neighbours. This is 8% off target, however an improvement on the proportion of repeat calls from last year which was 10.4%.

During 2022/2023 there was a significant focus on building strong, resilient communities to support recovery from the pandemic and respond to the cost-of-living challenge. In the reporting period, 125 projects received funding to deliver activities in local communities as a result of Participatory Budgeting (PB) events delivered by Linking Communities and Voluntary Action East Renfrewshire.

Despite the ongoing challenges post-pandemic a detached youth work programme has continued in East Renfrewshire. From April 2022 the ongoing programme of street work in 5 areas spent over 390 hours in local communities, making 1578 contacts with young people. This also includes weekend detached youth work provision.

Alcohol and drug treatment support is often responding to very complex issues, and journeys are person-centred. Those in our community who are experiencing harm from alcohol and drug use, 5% moved from treatment to recovery. This is off target and has reduced by 4% from the previous year. Positive performance on the measures in outcome four, show that residents continue to be protected from harm and abuse. Women's' Aid East Renfrewshire reported of 98 reviews, 90% reported







## Management Commentary (cont'd)

improvements. The Community Payback Order has successfully helped 100% of respondents surveyed at end of programme avoid reoffending. For the past five years, 100% of individuals identified as being at risk of harm have had a protection plan put in place.

### **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**

#### **Outcome 5 - Indicator status summary**





Status	Definition	Number
	On target	5
	Target to be achieved/within thresholds	0
	Off target	1
	For monitoring purposes (no target set)	1

Despite continuing demand pressures on HSCP services we remain committed to supporting older people and people with long-term conditions to live independently. There has been a fall of 12% in the number of individuals whose care needs have reduced following a period of reablement. This was at 48% last year and indicates a growing demand on care packages in the community. Performance for supporting older people and those with long-term conditions to live safely and independently in communities is overall more positive. Nearly 97% of individuals aged 65+ live in housing rather than a care home or hospital. There is however some disparity in these figures across HSCP partnerships and further work is being undertaken by Scottish Government to refine. We also see a high percentage of individuals reporting their 'living where you/as you want to live' needs met at 89%. There has been a slight increase in % of people aged 65 or over with long term care needs receiving personal care at home.

We aim to ensure carers are valued and their wellbeing is met however there has been a decrease in those reporting that the quality of life for carers needs are being fully met to 89%, though still above target. HSCP colleagues are working closely with East Renfrewshire Carers Centre to identify and support all unpaid carers including those who are part of the local workforce. There was an increased burden on carers during the pandemic and there was a focus on providing remote support during the period. There is a short-term working group working to renew the Short Breaks opportunities for carers in response to requests for a more flexible approach from carers. The Carers Strategy is currently being revised and updated to reflect the introduction of the HSCP's new Supporting People Framework with a programme of engagement with carers, young carers, stakeholders and community groups. The Carers Centre was provided with £25,000 from Covid reserves funding in 2022/2023 to provide discretionary payments to carers to alleviate cost-of-living pressures.

### **Organisation Outcomes – Customer, Efficiency, People**

#### **Organisation Outcome - Indicator status summary**

Status	Definition	Number
	On target	3
	Target to be achieved/within thresholds	1
	Off target	0
	For monitoring purposes (no target set)	0

\* absence indicator not included as data under review.





## **Management Commentary (cont'd)**

We have three organisational outcomes under the topics of Customer, Efficiency and People in the ODP. These focus on how we are delivering for our customers, supporting our staff and ensuring all our resources are managed efficiently.

Findings from our latest Citizens' Panel survey show most respondents (63%) are satisfied with Council services. Although this is a small reduction compared to last year and our target is still to be achieved, this reflects the national picture across Scotland. The most recent comparable results from the Scottish Household Survey, show a downward trend in levels of satisfaction with local services. The Council at 63% compares favourably with the national figure of 53%. Other key findings from Citizens' Panel; showed that residents thought the Council and its staff were professional (69%), reputable (63%), works in partnership (63%) and helpful (61%). Full results from the Citizens' Panel report can be accessed at [www.eastrenfrewshire.gov.uk/media/8914/2022-Citizens-Panel-Report/pdf/ERCP\\_2022\\_Survey\\_report.pdf?m=638145631684030000](http://www.eastrenfrewshire.gov.uk/media/8914/2022-Citizens-Panel-Report/pdf/ERCP_2022_Survey_report.pdf?m=638145631684030000)

In these challenging times when budgets are strained it is essential that all our assets are managed efficiently. We maintain our robust approach to financial planning and have effective monitoring in place. This has ensured in 2022/23 we are on track to meet the target on the actual Council revenue outturn against the revised revenue budget with details available in the Key Financial Ratios below. In year improvements to the Finance system including better budgetary control and financial transaction reporting is providing a more efficient service for managers checking the status of budgets throughout the year.

### **Public Performance Reporting**

For more information on how the Council is performing, including trend data, planned activities, targets, and benchmarking information visit: [www.eastrenfrewshire.gov.uk/performance](http://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 2023/24 and it is hoped to return to a multi-year process in future years. 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 continued to be challenging with the workforce supporting recovery and renewal after the Covid-19 pandemic. The Scottish Government have made additional funding available to support delivery and recovery services. It has been challenging getting the appropriate resource in place at times and services have been supported with higher than normal levels of recruitment activity. The Council is currently experiencing increased turnover rates making it difficult to recruit and retain candidates in certain areas.

From 8 July 2022 Covid-19 absence is now recorded within the absence figures. There is an increased focus on health and wellbeing to support our employees during these difficult times and promotion and signposting to assist with a number of areas including mental health and financial assistance.

The Council continues to support hybrid working with The Way We Work initiative set-up to review our approach to work styles and looking at the property and technology supports we need to put in place to support our workforce.



## **Management Commentary (cont'd)**

The financial plan now set out for 2023/24 indicates a Council budget shortfall of £18.1m. After applying £10.2m of reserves and a 6% increase in Council Tax generating £3.8m, savings of £4.1m are needed across Council services and it is estimated that there will be a reduction of up to 50 full time equivalent from the current Council structure. There are further savings to be taken by the IJB (Integration 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 2023/24.

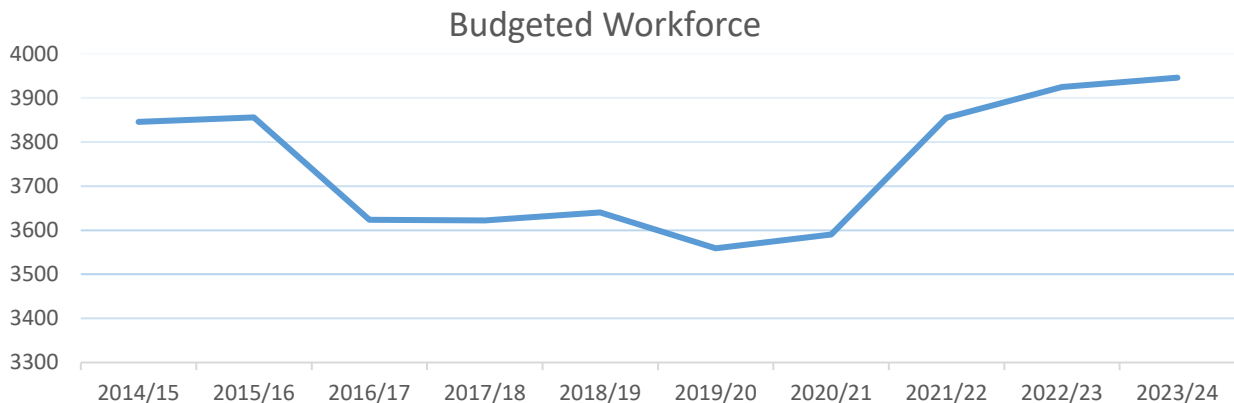
We continue to ensure that we will have the appropriate number of Local Government Employees and Teachers with the correct qualifications, registration and skills in the correct roles. During these challenging financial times we continue to review our structures and operating models to introduce and establish more cross-functional and collaborative working to improve resilience. The Council is currently offering Voluntary Redundancy to employees in specified service areas to support the required budget reductions.

The council's Digital Transformation Strategy has 3 strands: Business Systems & Processes, Customer Experience and Workforce Productivity. The resource supporting this work has transitioned into permanent contracts which brings permanency to the organisational structure. It is recognised that investment in development of our processes will ensure the council can continue to deliver services that meet customers' expectations.

The council has a workforce plan in place and the 2021-24 Workforce Plan is currently undergoing its annual review to reflect the current position, the workforce requirements to support recovery and renewal, development and retraining required and resources required to support service delivery during this difficult time.

Due to the Council's programme of efficiency reviews 12 employees took the option of voluntary redundancy or other packages in 2022/23. This resulted in an in year cost of £0.458m with an average payback period of just under 1 year.

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 over the last two years reflects the rolling out of the Early Learning and Childcare 1140 hours initiative.

## **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.



## Management Commentary (cont'd)

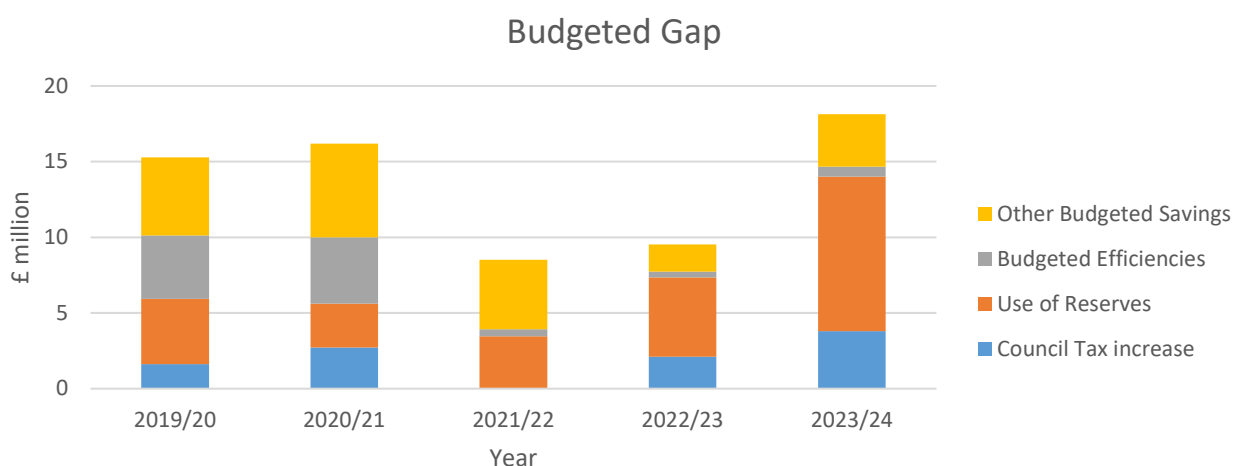
Regular meetings are held with the Trade Unions and the Communications team posts updates on the Council’s internal website along with the Chief Executive’s staff bulletins emailed to staff on a regular basis.

## 2. Financial Planning, Monitoring and Performance in 2022/23

### Budget Process

Following our successful previous multi-year budget approach, the Council undertook extensive community engagement, during autumn 2022, on setting its budget for future financial years. Reflecting on that engagement, together with the responses from our annual Citizens’ Panel and the 2022 survey on the humanitarian impact of COVID, the budget for 2023/24 was set on 1 March 2023. It was decided not to agree indicative budgets for 2024/25 and 2025/26, however, due to the lack of detailed information from the UK and Scottish governments in relation to these years. We hope that government budget information released later in 2023 will permit us to resume multi-year budget setting from 2024/25.

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 £31.23m budget savings has been approved for the most recent 5 year period covering 2019/20 to 2023/24. In addition, both Council Tax increases and the use of reserves have been used to balance the budget gap over this period. For 2022/23 the approved savings totalled £2.18m and these savings were all achieved.



Capital plans have also been agreed for the General Fund and Housing, covering the period 2023/24 to 2032/33.

### Budget Monitoring

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

### Revenue Budget Performance



## Management Commentary (cont'd)

### General Fund Revenue Balance

The Council's financial performance is presented in the Comprehensive Income and Expenditure Statement, which can be found on page 49 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 50.

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.

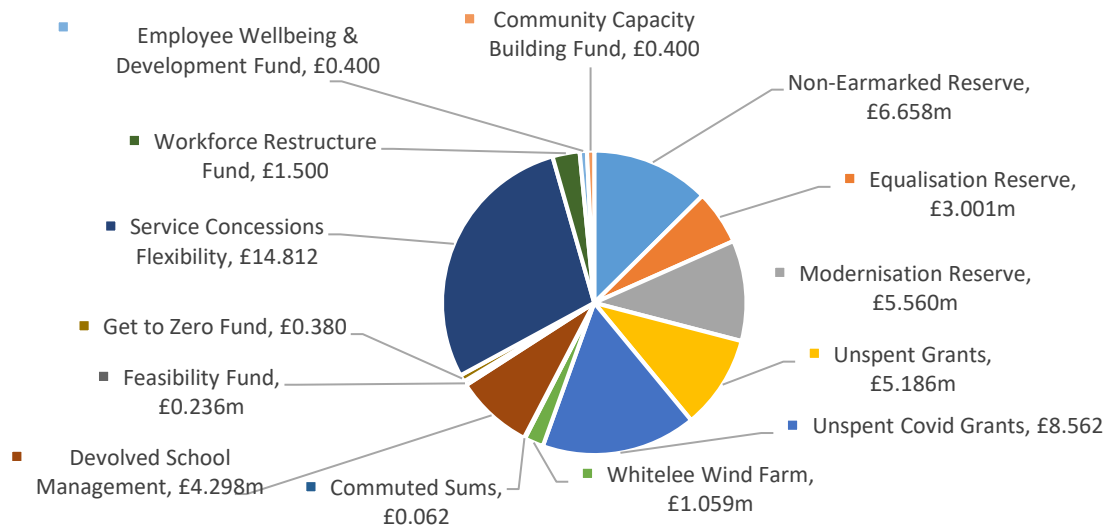
The General Fund Balance at the end of the year is £52.114m. The opening balance of £46.189m has been increased by an overall surplus of £5.925m. The General Fund is split over a number of earmarked funds which are adjusted annually to take account of the following factors:-

- (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 and to hold a minimum level of around 2%. The actual balance for 2022/23 was 2.3% (2021/22 4.4%)
- (ii) To earmark funding to **equalise** future PFI/PPP payments, as future grant levels will be below payment commitments in the later years of the schemes.
- (iii) To earmark funding to enable the upfront investment required to drive forward the Council's **Digital Transformation Programme**.
- (iv) To earmark funding from **unspent grants** (including those unspent grants received to cover Covid-19 pressures in 2023/24), **Whitelee Windfarm**, **Commuted Sums** and **Devolved School Management**,
- (v) To earmark funds for **feasibility studies** to be carried out on potential capital projects.
- (vi) **NEW:** To enable transformation work to commence on the Council's **Get to Zero** programme towards its carbon reduction targets
- (vii) **NEW:** To earmark funds from writing off the debt in **service concession** projects over the life of the asset instead of the life of the contract
- (viii) **NEW:** To ensure that the Council can adjust its **staffing structures** to enable future budgets to balance.
- (ix) **NEW:** To invest in **employee wellbeing and development**, to help address issues arising from staff wellbeing surveys; to develop skills and learning opportunities for existing staff.
- (x) **NEW :** To ensure long term investment in our **local communities, to build capacity**; skills; support place-making and build on the positive assets of our local people.

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



## Management Commentary (cont'd)



### Budget Performance

The overall surplus of £5.925m can be analysed as follows:

	Actual £'000	Approved Budget £'000	Over/(Under) Spend £'000
Net Cost of Services	268,647	268,208	439
Contribution (to) /from Earmarked Reserves (per note 11)	(11,039)	-	(11,039)
Capital Financing Costs	6,728	6,728	-
To be met by Govt. grants and local taxation	264,336	274,936	(10,600)
Aggregate External Finance	(211,650)	(211,650)	-
Council Tax	(58,611)	(58,033)	(578)
Total Funding	(270,261)	(269,683)	(578)
<b>(SURPLUS)/ DEFICIT FOR THE YEAR</b>	<b>(5,925)</b>	<b>5,253</b>	<b>(11,178)</b>

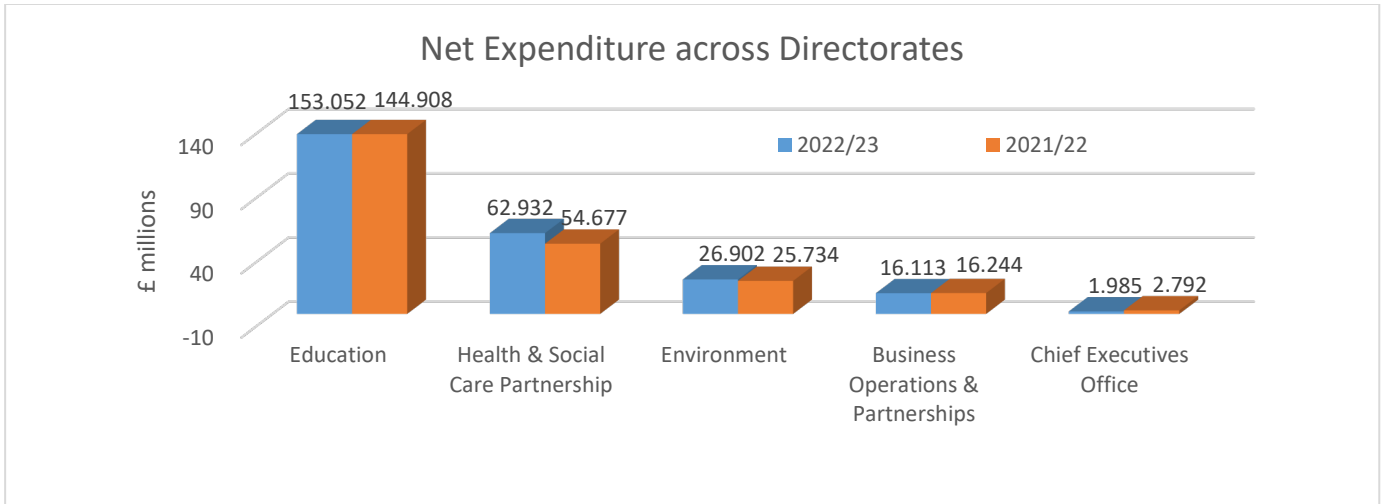
The Council was able to return a surplus of £11.178m (2021/22 £2.675m surplus), after transferring £1.0m to the Repairs & Renewal Fund to enable a continuing programme of maintenance on roads, properties and other infrastructure. £5.7m of the above surplus, much of which was of a one-off nature, was due to increased income, including interest earned on temporary investment balances, as well as savings relating to the teachers' industrial action, managed underspends on staff vacancies and contract savings as a result of tight financial controls over service spending. A further £6.4m was due to movement in earmarked reserves, including the continued utilisation of the Covid-19 reserve and the establishment of the new service concession reserve after seeking approval to revise the PFI debt arrangements.

[https://www.eastrenfrewshire.gov.uk/media/8799/Council-Item-11-1-March-2023/pdf/Council\\_Item\\_11\\_-\\_1\\_March\\_2023.pdf?m=638127716586300000](https://www.eastrenfrewshire.gov.uk/media/8799/Council-Item-11-1-March-2023/pdf/Council_Item_11_-_1_March_2023.pdf?m=638127716586300000)

When the surplus of £5,925k, shown above, before the budgeted application of reserves, is considered with the Housing Revenue Account deficit of £69k (see Movement in Reserves Statement), it equates to the total surplus of £5,856k, 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.



# 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 page 115. These accounts deal with transactions in respect of managing the Council’s housing stock, which cannot be subsidised by the Council. The opening balance of £1,867k has been decreased by an operational deficit of £69k to give a year-end balance of £1,798k.

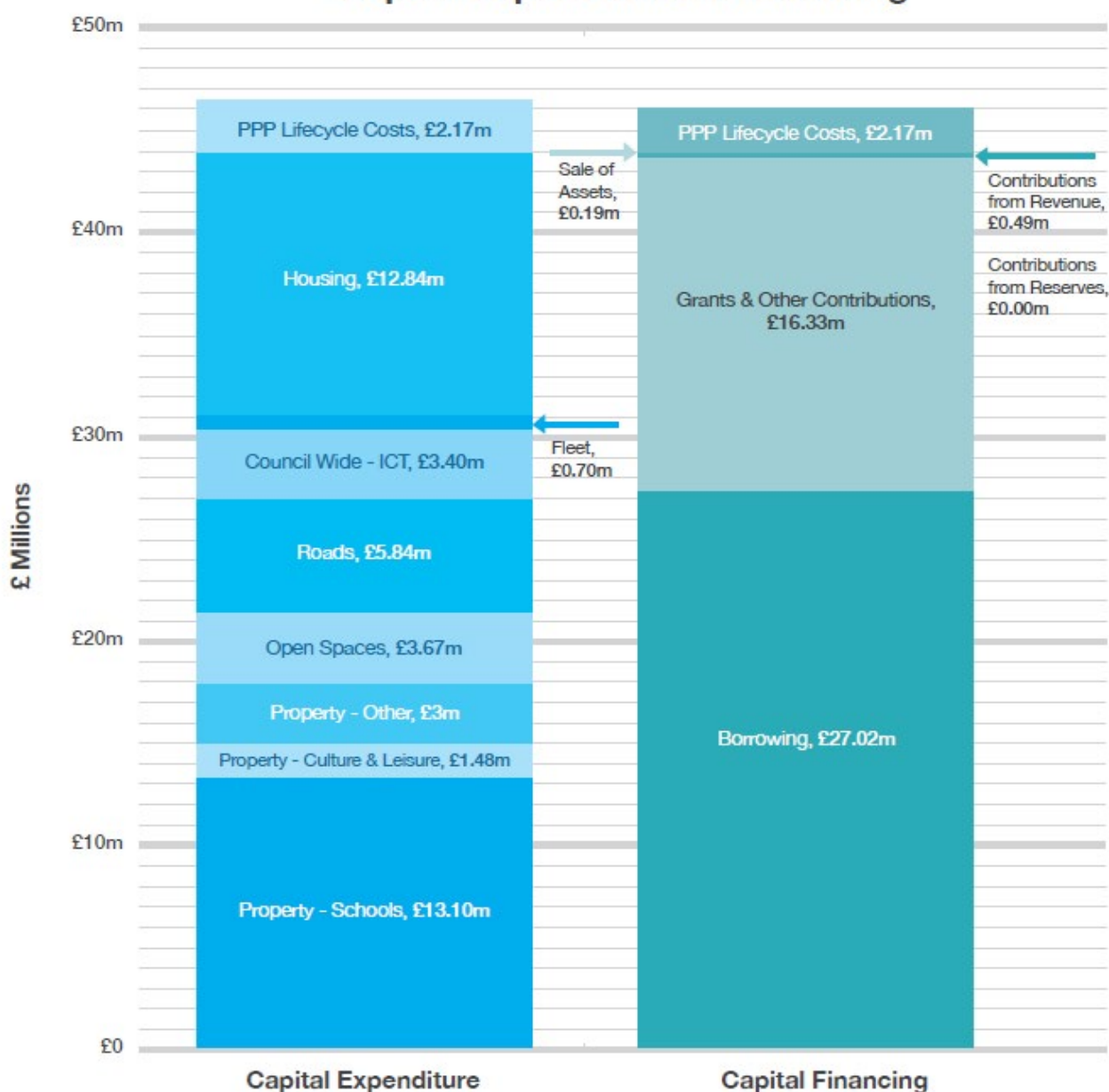
## Capital Budget Performance

The impact of the Covid-19 lockdown and war in Ukraine interrupted progress on the Council’s capital schemes in 2022/23, however the final Council budgets (as approved on 2 March 2023) for capital investment in both the General Fund and the Housing Revenue Account totalled £46.513m, with 99.3% 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 2022/23 and how these were funded. Further details are provided in Notes 15 to 18.



## Management Commentary (cont'd)

### Capital Expenditure and Funding



## Balance Sheet

The Balance Sheet summarises the Council's assets and liabilities as at 31 March 2023 and explanatory notes are provided. The net worth of the Council has increased by £120,027k from £632,203k as at 31 March 2022 to £752,230k as at 31 March 2023. The major movements are set out below:

	31 March 2023 £000	31 March 2022 £000	Movement £000	Main Reason
<b>Long Term Assets</b>	951,505	840,698	110,807	The increase is mainly due to major capital investment and asset revaluations (see notes 15 to 18). Also, last year's pension liability decreased following an assumption update on the Corporate Bond yield offset by a reduction in investment return and a higher Pension Increase order than anticipated. The gain however was limited to the value of the pension asset allowed under the accounting standard (see note 39)

**Management Commentary (cont'd)**

<b>Current Assets</b>	93,038	108,251	(15,213)	The total of cash equivalents and short term investments have decreased due to both capital & revenue cash flows.
<b>Current Liabilities</b>	(70,799)	(67,337)	(3,462)	Due mainly to the movement in short term creditors ( see note 23)
<b>Long Term liabilities</b>	(221,514)	(249,409)	27,895	Due mainly to the decrease in the pension liability. ( see note 39)
<b>Usable Reserves (excluding those related to Covid-19 )</b>	(55,909)	(44,820)	(11,089)	This reflects an increase in unspent grants during the year (see note 11 for details) as well as several new earmarked reserves as stated above relating to the service concession flexibility, workforce restructure fund, Get to Zero, Employee Wellbeing & Development Fund along with a Community Capacity Building Fund and excludes covid-19 related reserves.
<b>Usable Reserves – Covid-19 only</b>	(8,562)	(14,085)	5,523	This reflects the unspent covid-19 grants which forms part of the General Fund Reserve, which can be used to cover any unfunded covid-19 pressures in 2023/24
<b>Unusable Reserves</b>	(687,759)	(573,298)	(114,461)	Reflecting the decrease in the Pension Reserve liability an upward revaluation of assets (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 2023, discloses an asset and reflects a considerable change from the previous year's position. However reserve balances can fluctuate significantly year on year and the table below shows the Council's pension asset/ (liability) over the last three years:-

	2022/23 £000	2021/22 £000	2020/21 £000
<b>Pension Asset / (Liability)</b>	(1,177)	(50,357)	(119,443)

The main movement this year can be attributed to the changes in the financial assumptions adopted when preparing the latest disclosure. In particular the corporate bond yield (upon which the discount rate is derived) has risen over the period, leading to a 2.05% increase in this assumption and a reduction in the liability of £255,070k. In addition, further changes in the Pension and Salary Increase rates, compared to those assumed, has led to gains of £36,670k. These increases have been offset by a significantly higher Pension Increase Order of 10.1% (compared with the pension increase assumption of 3.2%) and a reduction in return on assets together totalling £65,639k. However the overall gain has been limited in the Balance Sheet to £49,180k so that only the value of the pension asset allowed under the accounting standards is recognised.

The appointed actuaries, who provide the above analysis, 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 is included in Note 39.





## Management Commentary (cont'd)

### Treasury Management

The Council's net borrowing increased by £13.497m 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 2023 £000	31 March 2022 £000	Movement £000
Long Term Investments	247	250	(3)
Short term Investments	4,999	13,998	(8,999)
Cash & Cash Equivalents & Bank Overdraft	62,281	62,814	(533)
Short Term Borrowing	(377)	(828)	451
Short Term Finance Lease	(5,368)	(5,211)	(157)
Long Term Borrowing	(127,639)	(118,015)	(9,624)
Long term Finance Lease	(68,132)	(73,500)	5,368

The Council's borrowing strategy is prepared in accordance with the Code of Practice on Treasury Management in Local Authorities. Further details are provided at Note 42. The Council regulates its capital spending limits within a prudential framework recommended by CIPFA and endorsed by the Scottish Government. Each year, the Council approves its capital financing requirement (CFR) for the forthcoming year, as part of the Treasury Management Strategy. The CFR is a prudent assessment of the external borrowings for capital investment purposes that are affordable and sustainable over the longer-term. The Council's external debt (including Finance leases) at the year-end was £200.754 million (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 £220.874 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 2022/23 can be found:

[www.eastrenfrewshire.gov.uk/media/7401/Council-Item-05-ii-03-March-2022/pdf/Council\\_Item\\_05ii\\_-\\_03\\_March\\_2022.pdf?m=637813801413000000](http://www.eastrenfrewshire.gov.uk/media/7401/Council-Item-05-ii-03-March-2022/pdf/Council_Item_05ii_-_03_March_2022.pdf?m=637813801413000000)

### Provision and Write-offs

The Council has provided £0.806 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 £346.88k for Council Tax, £221.33k for Non-Domestic Rates and £204.46k 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 2022/23 and the affordability of its ongoing commitments:-

Financial Indicator	Commentary	2022/23 Actual	2021/22 Actual
<b>Reserves</b>			
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. More information is provided in the <i>General Fund Revenue Balances</i> section above.	2.3%	4.4%
Movement in the Uncommitted General Fund Balance	Reflects the extent to which the Council is using its Uncommitted General Fund Reserve.	(43.4%)	0.9%
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 to cover unfunded covid-19 pressures in 2023/24), as a percentage of the Council's net budgeted expenditure. Details of the useable reserves can be found in note 11	22.3%	21.8%
<b>Council Tax</b>			
In-Year collection rate	Reflects the Council's effectiveness in collecting Council Tax debt and financial management. The Council continues to achieve high collection levels despite the current economic climate and its effect on the local economy.	97.55%	96.76%
Ratio of Council Tax income to Overall Level of Funding	Reflects the Council's capacity to vary expenditure by raising Council Tax income, the only principal source of finance within Local Authority control.	21.7%	20.8%
<b>Financial Management</b>			
Actual Outturn as a percentage of Budgeted Expenditure (net of the Covid-19 reserve)	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.	93.7%	99.46%
Actual contribution (to)/from Unallocated General Fund Balance as a percentage of Budget.		1.83%	(0.04%)
<b>Treasury Management</b>			
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.  In 2022/23 the Scottish Government gave the Council £2.238m to help fund the employee pay award. This was provided as a capital grant and was used, in line with the Code of Practice, to reduce the Financing Charges on the Council Tax which in turn released budget to fund the pay award. This explains the year-on-year reduction in Financing Charges.	£6.728m	£8.153m
Financing Charges on the Housing Rents		£4.414m	£4.198m
Average Loans Fund Interest Rate		3.34%	3.52%



## 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. For ease of comparison this excludes the Scottish Government grant of £2.238m capital grant above.	7.2%	7.2%	
Ratio of Financing Costs to Net Revenue Stream – Housing Revenue Account	Demonstrates how much of the Housing Revenue budget is committed to support borrowing	31.5%	31.3%	
<b>Debt/Long-term Borrowing</b>		<b>2022/32 Estimate</b>	<b>2022/23 Actual</b>	<b>2021/22 Actual</b>
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.	£281.723m	£220.874m	£207.856m
External Debt Levels for the current year		£256.515m	£200.754m	£196.780m

## Review

The Council's affairs have again been managed within its operational budget (see budget performance table above) with increased returns on investments and Directors again taking action to avoid non-essential spend during 2022/23, particularly on staff vacancies and supplies. These give the Council more flexibility to address the significant financial difficulties and uncertainties in coming years.

Additional Covid-19 cost pressures of £8.74m encountered during the year were covered by the use of the Unspent Covid-19 Grants Reserve carried forward from 2020/21 and Government Covid-19 grant in-year funding. These pressures impacted directly on Council funded services in terms of additional costs including staff costs and other measures to address the pandemic. A total of £8.562m remains in the Council's Covid-19 reserve at 31 March 2023 and is available to address potential pandemic pressures in 2023/24.

In addition to the Covid-19 grant funding for additional pressures faced by the Council during the year, the Council also administered the distribution of £0.94m of Covid-19 support to local residents.

During the year major investment in Education continued with the opening of Cross Arthurlie Primary's Nursery Class. This was the last of six new nurseries to have opened across East Renfrewshire in recent years as part of a commitment to expand early learning and childcare provision. In addition work has progressed with the Neilston Learning Campus which will provide a new location for pupils from Neilston Primary, St Thomas's Primary and the Madras Family Centre. Furthermore a new synthetic pitch and running track at Mearns Castle High School is soon to be completed.

Work by the Health and Social Care Partnership has also progressed with the provision of new high-tech telecare alarms installed into residents' homes, allowing older and vulnerable residents to continue to live in their own homes.

In July, the Council house development on Balgraystone Road, Barrhead, creating high quality and energy efficient homes for more than 200 tenants opened.

Improvement has also continued with the neighbourhoods across East Renfrewshire continuing to benefit from the £15m extra capital investment first announced in 2019 to fund a five-year programme of road resurfacing. This has now been extended by £17.5m to continue with roads improvements until 2028/29.

Through the City Deal, work progressed on a major £44m regeneration programme across the Council as part of our ten year capital investment plan.



## Management Commentary (cont'd)

### 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 30 March 2023 can be found here: [Review of the Strategic Risk Register and Risk Management Process https://www.eastrenfrewshire.gov.uk/media/8957/Audit-Scrutiny-Committee-Item-04-30-March-2023/pdf/Audit\\_Scrutiny\\_Committee\\_Item\\_04\\_-\\_30\\_March\\_2023.pdf?m=638151809788530000](https://www.eastrenfrewshire.gov.uk/media/8957/Audit-Scrutiny-Committee-Item-04-30-March-2023/pdf/Audit_Scrutiny_Committee_Item_04_-_30_March_2023.pdf?m=638151809788530000)

The Council monitors risks closely using a RAG approach, seeking to mitigate them so as to deliver its strategic aims. Risks are given a score from 1 to 4 for both likelihood and impact, with the product for each risk therefore ranging from 1 to 16. Risks scored below 6 are regarded as green, those between 6 and 9 as amber and those scoring higher as red. 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. Key risks for the Council are listed in the table below, all of these representing risks originally categorised as red, but which have been reduced to amber by our mitigating actions. Demographic pressures, financial constraints, interruptions to services, and the impact of the Covid-19 pandemic continue to present risks to the Council's operations, whilst the risk of cyber-attack has been raised from "medium" to "high". New risks in relation to the sufficiency of local housing supply and the potential disruption to electricity and telephone networks have also been added to the register.

KEY RISKS AND UNCERTAINTIES	
Risk	Mitigating Actions
<b>Demographic pressures (risk score 8)</b> , 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.
<b>Financial constraints (risk score 9)</b> 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, climate change/Get to Zero and the war in Ukraine may exacerbate financial pressures.	Medium to long term financial plans, budget scenario planning, a return in future years to a multi-year budget setting approach, utilisation of fiscal flexibilities and close revenue and capital budget monitoring all assist in mitigating this risk. <a href="https://www.eastrenfrewshire.gov.uk/media/8800/Council-Item-12-1-March-2023/pdf/Council_Item_12_-_1_March_2023.pdf?m=638127716589770000">Financial Planning 2023-2029 <u>https://www.eastrenfrewshire.gov.uk/media/8800/Council-Item-12-1-March-2023/pdf/Council_Item_12_-_1_March_2023.pdf?m=638127716589770000</u></a>  A focus on efficiencies, service reviews, the Council's ambitious transformation programme and lobbying of Government are also used to reduce the threat.
<b>Interruptions to Services (risk score 9)</b> arising from building closures or systems/equipment/ supplier failures may result in loss of services, income and reputation.	Long term capital planning is in place and the Capital Investment Strategy and Capital Plan reviewed annually. IJB review of commissioning and service planning. Business continuity plans are also maintained.



## Management Commentary (cont'd)

<b>Lack of affordable housing (risk score 8)</b> may prevent the Council from meeting its statutory homelessness duties and providing sufficient units for wider local housing needs	Housing plans and homelessness policies reviewed. Partnership working to assist in addressing homelessness. Ongoing investment in both new build and purchased housing units.
<b>Cyber Attacks (risk score 9)</b> are an increasing threat to both the private and public sectors and could disrupt Council services and cause loss of data, money and reputation.	Council Information Security Officer ensures defences are up to date through liaison with national bodies and the annual provision of mandatory staff training, test and campaigns.
<b>COVID-19 (risk score 6)</b> remains a major risk in terms of the ongoing impact on community activities and Council engagement with stakeholders. This may limit our harm prevention and participatory budgeting activities and restrict community capacity to be involved in service design.	The Community Learning & Development team are working to restore local community involvement, restart and expand preventative interventions and resume and widen participatory budgeting. COVID grant funding has been directed to support the most vulnerable members of our communities during 2022/23 and 2023/24.
<b>Disruption to electricity/telephone networks (risk score 6)</b> presents a higher risk due to the impact of the Ukraine war on power supplies and to the planned phasing out of analogue telephone lines.	Close market liaison is maintained. Business continuity and disaster recovery plans are in place across the Council.

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 1 March 2023 as part of the annual budget: [Financial Planning 2023-2029 <https://www.eastrenfrewshire.gov.uk/media/8800/Council-Item-12-1-March-2023/pdf/Council Item 12 - 1 March 2023.pdf?m=638127716589770000>](https://www.eastrenfrewshire.gov.uk/media/8800/Council-Item-12-1-March-2023/pdf/Council%20Item%2012%20-%201%20March%202023.pdf?m=638127716589770000)

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 considered 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 maximise the accuracy of these estimates.

### 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.



## Management Commentary (cont'd)

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.

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 key risks set out in the previous section fall within the operational services area of the above table, i.e. the Council has a low to medium appetite for such risks and has identified appropriate mitigations to reduce the risk to a tolerable level. For areas with the very lowest appetite for risk, such as compliance with legal or financial requirements (e.g. setting a balanced budget), the Council's structures, policies and processes have generally already been designed so that the risk is minimal and therefore it will not appear on the Strategic Risk Register.

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.



## **Management Commentary (cont'd)**

### **Group Accounts**

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

The inclusion of these entities in the Council's Group Accounts is in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom. Due to the inclusion of the Common Good, trust fund balances and the liabilities and assets carried by the entities, listed below, the Group Balance Sheet increases the Council's net worth by £29.929m. 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

### **Greenhouse Gas Emissions**

In November 2022, the Council set a target to achieve net zero carbon emissions by 2045. This target applies to the Council's own operational emissions, excluding emissions from supply-chain (e.g. the goods and services the Council buys). There is no target set for area-wide emissions (i.e. those from homes and businesses). The Council reports its emissions to Sustainable Scotland Network each year and a report on the latest trends and future forecast is made to Cabinet, typically in January each year. The latest report is available [here https://eastrenfrewshire.gov.uk/media/8730/ERC-2021-22-Carbon-emissions-report/pdf/Cabinet\\_item\\_13\\_-\\_26\\_January\\_2023.pdf?m=638119017962500000](https://eastrenfrewshire.gov.uk/media/8730/ERC-2021-22-Carbon-emissions-report/pdf/Cabinet_item_13_-_26_January_2023.pdf?m=638119017962500000).

The Cabinet reports are published for the wider community to see progress.

The Council is preparing a Get to Zero Action Plan (GTZAP), which will set out the proposed actions the Council will take. The actions will address both operational emissions and area-wide emissions. The Get to Zero Action Plan, expected to be published later in 2023, has made some high-level assessment of the financial impact of taking climate action. This will be considered in future revenue and capital budget setting processes. In support of the publication of the Get to Zero Action Plan a Strategic Environmental Assessment has been carried out.

The Council introduced a new methodology for carbon reporting in 2019/20, which has been set as the baseline year against which progress will be tracked. The table below shows progress in each year since establishing the baseline



# Management Commentary (cont'd)

Table 1: East Renfrewshire Council emissions (tCO2e)

Scope	Sub-category	Source	Baseline (2019/20) consumption	Previous year (2020/21) consumption	Current year (2021/22) consumption	% change in consumption baseline to current year	% change in consumption previous year to current year	Baseline (2019/20) emissions (tCO2e)	Previous year (2020/21) emissions (tCO2e)	Current year (2021/22) emissions (tCO2e)	% change in emissions baseline to current year	% change in emissions previous year to current year
Scope 1	Natural gas	Council buildings	33,231,696 kWh	35,568,167 kWh	32,548,425.23 kWh	▼ -2.1%	▼ -8.5%	6,110.3	6,539.9	5,961.6	▼ -2.4%	▼ -8.8%
		ERCLT buildings	8,612,105 kWh	7,929,771 kWh	10,584,898.85 kWh	▲ 22.9%	▲ 33.5%	1,583.5	1,458.0	1,938.7	▲ 22.4%	▲ 33.0%
		Sheltered housing	2,750,692 kWh	2,740,696 kWh	2,662,554.83 kWh	▼ -3.2%	▼ -2.9%	505.8	503.9	487.7	▼ -3.6%	▼ -3.2%
		Domestic properties (offices)	22,252 kWh	30,932 kWh	29,525.60 kWh	▲ 32.7%	▼ -4.5%	4.1	5.7	5.4	▲ 32.2%	▼ -4.9%
	Sub-total		44,616,745 kWh	46,269,566 kWh	45,825,405 kWh	▲ 2.7%	▼ -1.0%	8,203.7	8,507.6	8,393.4	▲ 2.3%	▼ -1.3%
	Water	Council buildings	120,707 m3	89,590 m3	125,945 m3	▲ 4.3%	▲ 40.6%	122.7	29.4	41.4	▼ -66.3%	▲ 40.6%
		ERCLT buildings	28,426 m3	16,109 m3	22,450 m3	▼ -21.0%	▲ 39.4%	28.9	5.3	7.4	▼ -74.5%	▲ 39.4%
		Domestic properties (offices)	78 m3	121 m3	80 m3	▲ 2.4%	▼ -34.0%	0.1	0.0	0.0	▼ -66.9%	▼ -34.0%
		Sub-total		149,211 m3	105,820 m3	148,475 m3	▼ -0.5%	▲ 40.3%	151.7	34.8	48.8	▼ -67.8%
	Other	Fleet Vehicles - Diesel	438,236 litres	466,800 litres	524,740 litres	▲ 19.7%	▲ 12.4%	1,115.8	1,188.5	1,318.3	▲ 18.2%	▲ 10.9%
Fleet Vehicles - Petrol		69,183 litres	63,204 litres	64,749 litres	▼ -6.4%	▲ 2.4%	150.0	137.0	142.0	▼ -5.3%	▲ 3.6%	
Sub-total		507,419 litres	530,004 litres	589,489 litres	▲ 16.2%	▲ 11.2%	1,265.8	1,325.5	1,460.3	▲ 15.4%	▲ 10.2%	
Scope 2	Electricity	Council buildings	11,705,886 kWh	10,194,950 kWh	11,793,265 kWh	▲ 0.7%	▲ 15.7%	2,963.8	2,581.3	2,725.7	▼ -8.0%	▲ 5.6%
		Un-metered supplies	4,907,756 kWh	4,690,952 kWh	4,537,574 kWh	▼ -7.5%	▼ -3.3%	1,242.6	1,187.7	1,048.7	▼ -15.6%	▼ -11.7%
		ERCLT buildings	2,264,046 kWh	1,542,960 kWh	2,035,356 kWh	▼ -10.1%	▲ 31.9%	573.2	390.7	470.4	▼ -17.9%	▲ 20.4%
		Sheltered housing	416,613 kWh	344,122 kWh	264,417 kWh	▼ -36.5%	▼ -23.2%	105.5	87.1	61.1	▼ -42.1%	▼ -29.9%
		EV/CPs	142,405 kWh	221,916 kWh	334,148 kWh	▲ 134.6%	▲ 50.6%	36.1	56.2	77.2	▲ 114.2%	▲ 37.4%
		Domestic properties (close lighting & offices)	110,054 kWh	113,838 kWh	116,878 kWh	▲ 6.2%	▲ 2.7%	27.9	28.8	27.0	▼ -3.1%	▼ -6.3%
	Sub-total		19,546,760 kWh	17,108,738 kWh	19,081,639 kWh	▼ -2.4%	▲ 11.5%	4,949.0	4,331.8	4,410.1	▼ -10.9%	▲ 1.8%
Scope 3	Waste	Landfill	14,561 tonnes	4,878 tonnes	985 tonnes	▼ -93.2%	▼ -79.8%	6,368.6	2,133.5	460.0	▼ -92.8%	▼ -78.4%
		Recycling	20,343 tonnes	15,515 tonnes	12,328 tonnes	▼ -39.4%	▼ -20.5%	353.1	277.5	236.6	▼ -33.0%	▼ -14.7%
		Composting	12,606 tonnes	9,583 tonnes	11,245 tonnes	▼ -10.8%	▲ 17.3%	128.6	97.8	100.7	▼ -21.8%	▲ 2.9%
		Incineration/combustion	748 tonnes	14,046 tonnes	16,015 tonnes	▲ 2041.0%	▲ 14.0%	15.9	299.4	341.0	▲ 2038.7%	▲ 13.9%
		Other	355 tonnes	338 tonnes	0 tonnes	▼ -100.0%	▼ -100.0%	155.3	147.8	0.0	▼ -100.0%	▼ -100.0%
	Sub-total		48,613 tonnes	44,360 tonnes	40,573 tonnes	▼ -16.5%	▼ -8.5%	7,021.5	2,956.1	1,138.3	▼ -83.8%	▼ -61.5%
	Other	Business travel (car)	899,772 km	527,295 km	742,712 km	▼ -17.5%	▲ 40.9%	154.2	90.4	127.4	▼ -17.4%	▲ 40.9%
Sub-total		899,772 km	527,295 km	742,712 km	▼ -17.5%	▲ 40.9%	154.2	90.4	127.4	▼ -17.4%	▲ 40.9%	
Procurement	Supply chain emissions	n/a	n/a	n/a	n/a	n/a	40,278	40,278	40,278	n/a	n/a	
	Sub-total		n/a	n/a	n/a	n/a	n/a	40,278.0	40,278.0	40,278.0	n/a	n/a
<b>Total (tCO2e)</b>								<b>62,023.9</b>	<b>57,524.1</b>	<b>55,856.4</b>	<b>▼ -9.9%</b>	<b>▼ -2.9%</b>
<b>Total w/o supply chain emissions (tCO2e)</b>								<b>21,745.9</b>	<b>17,246.1</b>	<b>15,578.4</b>	<b>▼ -28.4%</b>	<b>▼ -9.7%</b>

This shows that total estimated emissions, excluding supply-chain emissions for 2021/22 was 15,578 tCO2e. This is a 10% reduction from last year (2020/21), and a 28% reduction from the baseline (2019/20). This is almost entirely a direct result of the Clyde Valley Waste Partnership contract, which sends waste for energy recovery instead of landfill.

In order to meet the 2045 target, the Council needs to reduce its operational emissions to zero. This suggests a reduction of 870 tCO2e is needed in each of the 25 years until the target. Excluding waste management emissions, which are likely to remain quite stable as a result of the long-term contract, emissions have only reduced by c. 150 tCO2e since 2019/20. This suggests the Council will miss its targets without taking additional action. These additional actions will be proposed in the forthcoming GTZAP.

In June 2022, the Council introduced a climate change impact assessment (CCIA) process. This requires all Council/Cabinet reports where a decision is required to complete an assessment of any positive or negative impact on emissions or nature. This process has been adapted for consideration in Procurement Strategies, Capital Project Applications and grant-funding project appraisal.





## **Management Commentary (cont'd)**

### **Events During 2022/23**

#### **Digital Transformation**

Savings plans for future years are developed by the Corporate Management Team on the basis of the Scottish and UK budgets and are reviewed to take account of any multi-year settlement information subsequently published. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council continues to seek efficiencies through reviews and transformation initiatives wherever possible.

The Council's Digital Transformation Strategy focuses on 3 areas: Customer Experience; Business Systems, & Processes; and Workforce Productivity.

Overall governance of the Digital Transformation Programme is through the Corporate Management Team (CMT), responsible for ensuring that savings and benefits are achieved and that programme and project priorities, dependencies and resources are well managed. CMT meet to discuss Digital Transformation on a quarterly basis, with update reports to Cabinet due at least annually.

In recent years, the Council has placed high reliance on its digital transformation programme to drive change and savings across all services. The Revenue Estimates for 2023/24 concluded that £0.652m (14%) of the Council's savings proposals for 2023/24 related to efficiencies or to the Council's digital transformation programme and the focus on the Council's 5 capabilities. These will be recurring savings. Whilst it is recognised that it will become progressively more difficult to identify efficiencies in future, the Council will continue to seek efficiencies through reviews and transformation initiatives wherever possible.

East Renfrewshire Council has a policy of always taking a prudent approach to the calculation of savings. Savings are only included in formal budgets once we have a high degree of confidence that they can be achieved (and in many cases are already in place through work in previous years).

There has been significant progress in recent years in delivery of the Council's digital transformation strategy. The pandemic did impact capacity significantly in recent years and caused some delays to projects, but our aspirations to continue our ambitious modernisation journey remain as important as ever.

Given that the Transformation programme is taking place against a backdrop of prolonged, real-term reductions in budgets and statutory and national policy obligations remain constant and in many cases increased, key elements of the programme have focussed on supporting and enhancing workforce productivity, future cost avoidance, maintaining or meeting statutory or policy compliance, and risk reduction - as well cost reduction.

Cabinet considered an update on our Digital Transformation Programme in June 2023 ([https://www.eastrenfrewshire.gov.uk/media/9194/Cabinet-item-06-19-June-2023/pdf/Cabinet\\_item\\_06\\_-\\_19\\_June\\_2023.pdf?m=638219021921100000](https://www.eastrenfrewshire.gov.uk/media/9194/Cabinet-item-06-19-June-2023/pdf/Cabinet_item_06_-_19_June_2023.pdf?m=638219021921100000)). It was noted that the key principles behind the programme that will lead to budget savings are:

- Continuing to implement our Digital Transformation Strategy, with a focus on customer experience, streamlined end to end systems and processes and greater use of Microsoft365 capabilities for productivity
- An increased focus on user engagement in service design and more community empowerment to provide services which put customers at the heart of provision, improving services and potentially lowering costs
- Improving the sharing and management of data across the organisation.



## **Management Commentary (cont'd)**

It has continued to be necessary for us to regularly prioritise this work throughout the year to ensure a focus on benefit realisation and to rigorously manage the limited resources available to support projects. New projects go through an intake process to determine how best they are delivered – this will include project prioritisation, with the budget and skills dictating how much can be achieved in a given year. Programme Boards are involved in this prioritisation to ensure best use of ‘shared resource’ e.g. ICT, HR and project staff.

Projects are funded through a Digital transformation budget, which will need reviewed year on year as part of the budget process. A modernisation reserve was created in 2014 to fund change projects across the Council. In the early days the fund was topped up annually from underspend at year end. However in recent years, there has been little opportunity to top up so the fund has been declining in value. Given the 2022/23 year end surplus, £2m has been transferred to this fund to enable projects to be funded in future years.

### **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.

### **COVID 19**

The Council continues to support the recovery of the local community from the Covid-19 pandemic by providing a strategic recovery & renewal plan under the following key areas:

- Covid -19 contingency for response
- Organisational recovery (Council & HSCP)
- Wellbeing support for vulnerable individuals
- Community recovery and capacity building
- Financial advice and support to individuals
- Direct Financial and winter support to residents

In response to Covid-19, the Scottish Government released various streams of temporary funding to local authorities to react to the emerging needs and challenges faced by residents, business and service provision. The long term impact of the pandemic means that our residents and communities still require ongoing, targeted support to recover and rebuild lives.

The funding provided consisted of numerous funds each with varying criteria and central reporting requirements. The Scottish Government also provided councils with a general Covid-19 grant to deal with the impact of Covid and Covid recovery. All unused funds at 31 March 2022 totalling £14.085m were carried forward into 2022/23 with intent to use them before 31 March 2024, as no further funding is anticipated.

During 2022/23 £5.523m of the carried forward reserve along with £3.2m additional funding was used for internal pressures arising from loss of income and additional staffing costs as well as for interventions to support residents and the local economy, leaving a balance in the reserve of £8.562m and plans to allocate these funds fully in 2023/24.

The support to residents spend in 2022/23 was targeted through several categories including: Winter Direct Support, providing direct payments to families and carers most in need; Financial advice & Support Services including assistance for fuel poverty; Support for Communities to build capacity and



## **Management Commentary (cont'd)**

Mental Health & Wellbeing Support for the most vulnerable. Progress on delivery was monitored via a monthly multi agency working group on the Cost-of-living and member officer briefing sessions were also held.

Provision has also been made to support businesses that have been most adversely affected by the pandemic or are linked to low-income households by utilising evidence gathered through consultation and community research findings around the impact of the pandemic in East Renfrewshire.

The Council also acted as agent for the Scottish Government in making support payments to low income families. These costs along with the funding received are not reflected in the Consolidated Income & Expenditure Statement. In this respect the Council provided contributions totalling £0.939m which were fully covered by Government funding.

There are a range of pressures on local people and communities, driven by the pandemic. These are complex multi-faceted issues, which will require a co-ordinated, long-term partnership approach, work will continue to support them through what will be challenging times ahead.

### **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.

## **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.

Margaret McCrossan CPFA  
Head of Accountancy  
(Chief Financial Officer)

Councillor Owen O'Donnell  
Leader of the Council

Steven Quinn  
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 26 September 2023

Signed on behalf of East Renfrewshire Council  
Councillor Owen O'Donnell  
Leader of the Council

### **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 2023.

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



## **Annual Governance Statement**

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> ). 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 detail the requirements for an Annual Governance Statement.

2021/22 was the first year that Councils were asked to show full compliance with CIPFA's Financial Management Code to assist them in validating their financial sustainability. An assessment was completed and submitted to Cabinet on 10 March 2022 ([https://www.eastrenfrewshire.gov.uk/media/7393/Cabinet-item-05-10-March-2022/pdf/Cabinet\\_item\\_05\\_-\\_10\\_March\\_2022.pdf?m=637813803155200000](https://www.eastrenfrewshire.gov.uk/media/7393/Cabinet-item-05-10-March-2022/pdf/Cabinet_item_05_-_10_March_2022.pdf?m=637813803155200000) )

The assessment followed the series of principles and supporting specific standards within the code, demonstrating that the Council has strong foundations to:-

- Financially manage the short, medium and long-term finances of the Council
- Manage financial resilience to meet unforeseen demands on services
- Manage unexpected shocks in their financial circumstances



## **Annual Governance Statement (cont'd)**

This has been reviewed by the Head of Accountancy during 2022/23. The position as stated previously is unchanged except the Modern Ambitious Programme has now been replaced by the Digital Transformation Programme.

Further reviews of compliance will be carried out yearly and any outstanding matters or areas of improvement will be included in the action plan on this statement.

The Council's committee structure in terms of the number of committees, their composition and their terms of reference is set out in the Scheme of Administration. The Council made full use of remote meetings technology during the year and all committees met in accordance with the meetings calendar.

### **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.



## **Annual Governance Statement (cont'd)**

- 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 2023 and up to the date of approval of the Statement of Accounts.

### **Impact of Covid-19**

While the majority of Covid-19 restrictions and response mechanisms came to an end during 2022-23, the impact of the pandemic remained a pressure on service delivery. Many Services face backlogs, which were built across the 2020 to 2022 period of varying restrictions. This includes the Health & Social Care Partnership, where services faced pressures including delayed discharges, increased demand and care home engagement.

There was, and remains, continued support to the NHS Vaccination programme. There are also areas of continued increase in service demand related to Covid-19, mental health and the cost of living crisis.

### **Review of effectiveness**

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

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

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

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



## **Annual Governance Statement (cont'd)**

The Council complies with the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption (2014) by supporting its Anti-Fraud, Bribery and Theft Strategy 2022-2027, approved by the Corporate Management Team. This strategy outlines the measures taken by the Council to protect itself against malpractice through either fraud or corrupt practices. The strategy is supported by Council policies & procedures including the Whistleblowing Policy, Anti-Money Laundering Policy, Guidance on Gifts and Hospitality and Register (Probity Register), information on a declaration of interest, Code of Conduct for Elected Members, Code of Conduct for Employees and the Information and Cyber Security Policy. The identification of risk is carried out in line with the Council's Risk Management Framework 2023-2025.

Using tools made available by the Chartered Institute of Public Finance and Accountancy (CIPFA) for a review on what is accepted as best practice for local authority audit committees, the Committee progressed its most recent self-assessment of its effectiveness at the end of 2021 and start of 2022. Arising from that review, a list of recommendations and observations were approved by the Committee in April 2022, then subsequently endorsed by the new Committee following the local government Elections in May. Recommendations made are in the process of being considered and implemented as appropriate.

The results of Internal Audit's progress against the annual plan for 2022/23 have been reported quarterly to the Audit and Scrutiny Committee throughout the year.

The annual report will again acknowledge that completing audits from the 2022/23 audit plan was particularly challenging for the audit team. This was due to severely reduced staff resources and the continuing challenges of completing audits remotely and obtaining information from departments. Six audits were deleted from the plan and these have all been included in the 2023/24 audit plan. All other audits have now been completed and issued. The annual report includes the Chief Internal Auditor's 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 2023 except for one area. This area is non-compliance with contract standing orders which was noted in two separate audit reports.

During 2022/23 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)' <https://www.cipfa.org/policy-and-guidance/reports/the-role-of-the-head-of-internal-audit>

### **Progress against actions from last year's plan**

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

- The Risk Management Strategy 2023 - 2025 and associated Risk Management Framework 2023 - 2025 were approved by Cabinet on 23rd February 2023. A risk management update is considered annually by the Cabinet and biannually by the Audit and Scrutiny Committee.
- The Get to Zero Action Plan was delayed to allow for the Budget Strategy consultation to take place over the winter. We are now expecting to publish the plan in September or October 2023, following public consultation on the Strategic Environmental Assessment.





## **Annual Governance Statement (cont'd)**

- The Council voted to declare a Climate Emergency in October 2021. A required outcome is that the council establish a Climate Community Partnership as a forum for engaging local communities and businesses on climate change plans and action. A meeting was convened for the Climate Partnership in September 2022. This was poorly attended with only 3/11 Community Councils being represented. The meeting was useful in terms of the feedback received and an alternative approach to community engagement on climate change is being proposed. It was reported to Cabinet in June 2023.
- Review and update Financial Regulations. The revised Financial Regulations were presented to Council for approval on 28 June 2023.
- A review of our Code of Corporate Governance approach was carried out through analysing governance documents of our LGBF comparator family group for corporate services. This enabled a valid comparison by focusing on authorities with a similar governance makeup. A shorter format was identified whereby improvement actions will be removed from the Code document and only listed in the covering report submitted to the Audit and Scrutiny Committee. Within the Code document itself high-level evidence will be listed to each requirement and will remain static, with an updated evidence matrix listed at the bottom of Annex 1
- Multi-year budgeting plans following the May/June 2022 Scottish Spending Review were not progressed. The May 2022 Scottish Spending Review did not provide individual Council figures and in December 2022 the Council received only a one year settlement from the Scottish Government for 2023/24. Nevertheless, we modelled a high level budget for the years 2024/25 and 2025/26 and a public consultation on the forecast savings gap over the period 2023-2026 was undertaken. In March 2023 the Council set a detailed budget for 2023/24 only and await Scottish and UK budget information later this year before determining whether it is possible to agree multi-year budget plans.
- Following the May elections the new administration was established and initial induction training completed. There will continue to be a focus on ensuring elected members complete all ongoing training requirements.
- Implementation of new governance for digital transformation has been completed, with new Boards for Business Systems & Processes, Customer Experience, and Workforce Productivity. The Boards have been successfully running since April 2022.
- The use of research on the impact of Covid-19 in East Renfrewshire to influence the Council's strategic planning, including further development of Vision for the Future is ongoing. An update on Vision for the Future was considered at Council in June 2023.

### **Other key achievements during 2022/23**

- A multifaceted approach to budget engagement was completed, with the largest response to date.
- East Renfrewshire became the first Council in Scotland to successfully deliver an Analogue to Digital Telecare programme without interruption to 24/7 life and limb service.
- Council Tax collections are back to pre-pandemic levels.
- The Council successfully replaced the Pentana performance management system with a new, modern, in-house system with like-for-like reporting.
- The Council successfully completed our Freedom of Information Improvement Plan, following on from the intervention of the Scottish Information Commissioner in November 2021.

### **Key actions planned relating to governance for 2023/24**

- Publish the Climate Change Action Plan (known as Get to Zero Action Plan) by the end of 2023. (Director of Environment, December 2023).



## **Annual Governance Statement (cont'd)**

- Publish a Local Heat and Energy Efficiency Strategy (LHEES) by the end of 2023. This will be a key strategy to support the reduction in community climate emissions. (Director of Environment, December 2023).
- Following a Vision for the Future update to Council in June 2023, engage in further scoping and development with community partners and local residents, with a view to a broader review of outcomes and the 'golden thread' of strategic planning for 2024/25. (Head of Communities and Transformation, June 2024)
- Enhance the role of Equality and Fairness Risk Assessments in the budget process. (Director of Business Operations and Partnerships, March 2024)
- Re-establish leadership and manager networks to promote corporate working, develop leadership skills and assist with succession planning and health and wellbeing, (Head of HR, April 2024)
- Review elected member training and development, including provision of Equality and Fairness Risk assessment training and ensuring coverage of mandatory cyber essentials training (Head of HR/Director of Business Operations and Partnerships/Louise Pringle, December 2023)
- Complete review of Community Council scheme (Head of HR, December 2023)
- Complete Phase 1 management insight dashboards (Head of Communities and Transformation, April 2024).
- Complete the review of the Council's Standing orders (Democratic Services Manager, December 2023).
- Conduct a review of the Council's Schemes of Administration and Delegated Functions (Democratic Services Manager, December 2023).
- Accelerate development of an interface between Housing's Servitor system and the Council's Integra financial system (Director of Environment, March 2024)
- Implement manual checks by Procurement of all Housing invoices or certificated payments over £50k until the new Servitor/Integra interface is in place (Chief Procurement Officer, March 2024)

### **Certificates of Assurance for Internal Financial Control**

The Chief Executive, Directors of each Department and the Chief Executive of the Culture and Leisure Trust have all signed Certificates of Assurance for Internal Control and have confirmed that:

- to the best of their knowledge, corporate governance arrangements and financial controls in their Department have been, and are, working well and there are no new significant matters arising which would require to be raised specifically.

### **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.



## **Annual Governance Statement (cont'd)**

To deliver these responsibilities the Chief Financial Officer:

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

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

### **Assurance**

We consider that the governance and internal control environment operating during 2022/23 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 Owen O'Donnell  
Leader of the Council

Steven Quinn  
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 have been audited by the Council's appointed auditor, Ernst and Young. The other sections of the Remuneration Report will be reviewed by Ernst and Young 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). In 2022/23 their average salary increased by 5.2%. 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 2022 the maximum annual salary for the Leader of East Renfrewshire Council was £32,622. 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 £195,736. 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 2022/23 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 £175,262. 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 24 January 2022.



# 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 Cabinet membership comprises only of 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:-

2021/22	Scottish Parliamentary Election, 6 May 2021 (75%)
2022/23	Scottish Parliamentary Election, 6 May 2021 (25%)
	Scottish Local Government Elections, 5 May 2022 (100%)

**Remuneration Report (cont'd)****East Renfrewshire Council**

		Salary, Fees and Allowances	Election work	Compensation for loss of office	Taxable Expenses and Allowance s	Tot al
		£	£	£	£	£
Lorraine McMillan (Chief Executive)	2022/23	130,231	2,085			132,316
	2021/22	124,250	3,197	-	-	127,447
Mark Ratter (Director of Education)	2022/23	119,025				119,025
	2021/22	113,575	-	-	-	113,575
Julie Murray * (Chief Officer of East Renfrewshire Integration Joint Board)	2022/23	120,811				120,811
	2021/22	115,279	-	-	-	115,279
Kate Rocks * (Chief Social Work Officer resigned 15/08/22. Full Year equivalent salary for 2022/23 was £97,338)	2022/23	34,831				34,831
	2021/22	92,650	-	-	-	92,650
Raymond Prior* (Chief Social Worker commenced on 01/08/22. Full year equivalent salary for 2022/23 was £97,338)	2022/23	64,620	-	-	-	64,620
	2021/22	-	-	-	-	-
Andrew Cahill (Director of Environment, retired 01/11/22. Full year equivalent salary for 2022/23 was £119,368)	2022/23	67,145				67,145
	2021/22	113,575	-	-	-	113,575
Margaret McCrossan (Head of Accountancy/ Chief Financial Officer)	2022/23	106,348	150			106,498
	2021/22	101,528	550	-	-	102,078
Louise Pringle (Director of Business Operations & Partnerships. Commenced on 31.01.22, Full Year Equivalent salary for 2021/22 was £113,575)	2022/23	119,024	150			119,174
	2021/22	18,782	450	-	-	19,232
Caitriona McAuley (Director of Environment. Commenced on 01/01/23. Full Year Equivalent salary for 2022/23 was £119,368)	2022/23	28,879	-	-	-	28,879
	2021/22	-	-	-	-	-
Gerry Mahon (Chief Officer – Legal and Procurement)	2022/23	84,871	150			85,021
	2021/22	80,477	450	-	-	80,927
Michelle Blair (Chief Auditor)	2022/23	60,303	150			60,453
	2021/22	57,578	-	-	-	57,578

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

**East Renfrewshire Culture & Leisure Trust**

Anthony McReavy (Chief Executive Culture & Leisure Trust)	2022/23	92,476				92,476
	2021/22	88,285	-	-	-	88,285

# Remuneration Report (cont'd)

## 4. Remuneration of Senior Councillors

Name (A)	Position Held (B)	Salary - Payments made by Council			Re-imbusement of Members Expenses					Total Salary Expenses Total 2022/23 (E + J)	Total Salary Expenses 2021/22 RESTATED (L)
		Gross Allowance	Less Recharge to External Bodies	Net Allowances Paid	Car & Van Expenses - Reimbursed	Other Travel Expenses - Reimbursed	Subsistence, Training & Conference Expenses	Telephone & ICT Expenses Paid Directly	Total Expenses (F to I)		
		(C) £	(D) £	(E) £	(F) £	(G) £	(H) £	(I) £	(J) £		
O'Donnell	Leader of the Council from 25 May 2022. Convener for Environment from 25 May 2022 until 7 September 2022	28,763	-	28,763	-	156	-	207	363	29,126	-
Montague	Provost from 25 May 2022	21,836	-	21,836	-	-	-	130	130	21,966	-
		50,599	-	50,599	-	156	-	337	493	51,092	-
Anderson	Convener for Education and Equalities from 25 May 2022 until 7 September 2022. Convener of Education, Culture and Leisure from 7 September 2022.	21,836	-	21,836	-	-	-	124	124	21,960	-
Buchanan	Leader of the Council until 5 May 2022	20,746	-	20,746	246	403	-	152	801	21,547	31,241
Campbell	Depute Provost from 25 May 2022	21,836	-	21,836	-	-	-	134	134	21,970	-
Convery	Chair of Licensing Committee until 5 May 2022	19,979	-	19,979	-	-	-	65	65	20,044	23,317
Cunningham	Deputy Provost and Convener for Environment until 5 May 2022. Chair of Planning Applications Committee/Local Review Body from 25 May 2022.	24,138	-	24,138	-	-	-	172	172	24,310	23,482
Devlin	Convener for Housing & Maintenance Services until 7 September 2022. Convener for Environment and Housing from 7 September 2022.	24,138	-	24,138	-	-	-	477	477	24,615	23,865
Edlin	Chair of Licensing Committee from 25 May 2022	21,836	-	21,836	-	-	-	163	163	21,999	-
Fletcher	Provost until 5 May 2022	2,302	-	2,302	-	-	-	45	45	2,347	23,502
Ireland	Chair of Planning Applications Committee/Local Review Body until 5 May 2022.	19,979	-	19,979	-	-	-	60	60	20,039	23,317
Lafferty	Convener for Education and Equalities until 5 May 2022	2,302	-	2,302	-	-	-	90	90	2,392	23,766
McLean	Vice Chair of Planning Applications Committee/Local Review Body from 7 September 2022.	23,204	-	23,204	-	-	-	42	42	23,246	18,646
Merrick	Convener for Community Services and Community Safety until 5 May 2022	19,979	-	19,979	-	-	-	84	84	20,063	23,333
Miller	Chair of Audit & Scrutiny Committee until 5 May 2022	2,302	-	2,302	-	-	-	8	8	2,310	23,413
Morrison	Chair of Audit & Scrutiny Committee from 25 May 2022	21,836	-	21,836	-	-	-	123	123	21,959	-
Pragnell (note 1)	Convener for Community Services and Community Safety from 25 May 2022 until 7 September 2022	19,075	-	19,075	-	-	-	113	113	19,188	-
	Senior Councillors	<b>265,488</b>	<b>-</b>	<b>265,488</b>	<b>246</b>	<b>403</b>	<b>-</b>	<b>1,852</b>	<b>2,501</b>	<b>267,989</b>	<b>237,882</b>
	All Other Councillors	<b>85,436</b>	<b>-</b>	<b>85,436</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>991</b>	<b>991</b>	<b>86,427</b>	<b>151,175</b>
	<b>Total</b>	<b>401,523</b>	<b>-</b>	<b>401,523</b>	<b>246</b>	<b>559</b>	<b>-</b>	<b>3,180</b>	<b>3,985</b>	<b>405,508</b>	<b>389,057</b>

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

1. Councillor Pragnell receives payment directly from the NHS Greater Glasgow and Clyde as a member of the Board
2. In previous years, a vehicle leased for civic duties was included as an expense, however it has been confirmed this year that this should not be treated as a personal expense for the members in line with the requirements of The Local Government ( Allowances and Expenses) ( Scotland) Regulations 2007, as a result column L has been restated.



# 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 2022/23 and 2021/22 are as follows:-

Actual Pensionable pay	Contribution rate	Actual Pensionable pay	Contribution rate
	2022/23		2021/22
On pensionable pay up to and including £29,186	7.2%	On pensionable pay up to and including £28,309	7.2%
On pensionable pay £29,187 to £39,289	8.7%	On pensionable pay £28,310 to £38,108	8.7%
On pensionable pay £39,290 to £46,586	9.7%	On pensionable pay £38,109 to £45,186	9.7%
On pensionable pay £46,587 to £61,740	10.4%	On pensionable pay £45,187 to £59,884	10.4%
On pensionable pay £61,741 to £84,190	11.5%	On pensionable pay £59,885 to £81,659	11.5%
On pensionable pay above £84,191	11.9%	On pensionable pay above £81,660	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 2023 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.

**East Renfrewshire Council**

Name and Post Title	In Year Pension contribution		2022/23 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2022	
	2022/23 £	2021/22 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Lorraine McMillan (Chief Executive)	25,135	23,980	38	5	5	-
Mark Ratter (Director of Education)	22,972	21,920	45	-	3	-
Julie Murray (Chief Officer of East Renfrewshire Integration Joint Board)	23,316	22,249	54	64	6	3
Kate Rocks (Chief Social Work Officer resigned 15/08/22)	6,722	17,881	37	40	1	-
Raymond Prior (Chief Social Worker Commenced 01/08/22)	16,603	-	30	35	30	35
Andrew Cahill (Director of Environment. Retired 01/11/22)	12,959	21,920	66	109	2	-
Margaret McCrossan (Head of Accountancy / Chief Financial Officer)	20,525	19,595	62	106	2	-
Louise Pringle (Director of Business Operations and partnerships: Commenced 31.01.22)	22,972	3,625	39	39	39	39
Caitriona McAuley (Director of Environment. Commenced 01/01/23)	5,574	-	-	-	-	-
Gerry Mahon (Chief Officer – Legal and Procurement)	16,380	15,532	41	53	6	7
Michelle Blair (Chief Auditor)	11,639	11,113	27	35	2	2

**East Renfrewshire Culture and Leisure Trust**

Anthony McReavy (Chief Executive of East Renfrewshire Culture & Leisure Trust)	17,848	17,039	14	-	2	-
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## Remuneration Report (cont'd)

### Senior Councillors

The pension entitlements for Senior Councillors for the year to 31 March 2023 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		2022/23 Accrued Pension Benefits		Change in Accrued Pension Benefits since 31 March 2022	
	2022/23 £	2021/22 £	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Cllr Anderson - Convener for Education and Equalities from 25 May 2022 until 7 September 2022. Convener of Education, Culture and Leisure from 7 September 2022.	4,214	-	1	-	1	-
Cllr Buchanan – Leader of the Council until 5 May 2022	4,004	5,985	8	2	1	-
Cllr Campbell - Depute Provost from 25 May 2022	4,214	-	1	-	1	-
Cllr Convery – Chair of Licensing Committee until 5 May 2022	3,856	4,489	3	-	1	-
Cllr Cunningham – Deputy Provost and Convener for Environment until 5 May 2022. Chair of Planning Applications Committee/Local Review Body from 25 May 2022.	-	-	-	-	-	-
Cllr Devlin – Convener for Housing & Maintenance Services until 7 September 2022. Convener for Environment and Housing from 7 September 2022.	4,659	4,489	3	-	1	-
Cllr Edlin - Chair of Licensing Committee from 25 May 2022	-	-	-	-	-	-
Cllr Fletcher – Provost until 5 May 2022	444	4,701	9	2	1	-
Cllr Ireland – Chair of Planning Applications Committee/Local Review Body until 5 May 2022.	3,856	4,489	3	-	1	-
Cllr Lafferty – Convener for Education and Equalities until 5 May 2022	444	4,489	8	2	2	-
Cllr Merrick – Convener for Community Services and Community Safety until 5 May 2022	3,856	4,489	3	-	1	-
Cllr McLean - Vice Chair of Planning Applications Committee/Local Review Body from 7 September 2022.	4,478	3,591	2	-	1	-
Cllr Miller – Chair of Audit & Scrutiny Committee until 5 May 2022	444	4,489	7	2	1	-
Cllr Montague – Provost from 25 May 2022	-	-	-	-	-	-
Cllr Morrison – Chair of Audit & Scrutiny Committee from 25 May 2022	4,214	-	1	-	1	-
Cllr O'Donnell - Leader of the Council from 25 May 2022. Convener for Environment from 25 May 2022 until 7 September 2022	5,511	-	1	-	1	-
Cllr Pragnell - Convener for Community Services and Community Safety from 25 May 2022 until 7 September 2022	3,682	-	1	-	1	-

All senior members shown in the above table, with the exception of Cllr Cunningham, Cllr Edlin and Cllr Montague, 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	2022/23			2021/22		
	Number of employees		Total	Number of employees		Total
	Teachers	Employees		Teachers	Employees	
£50,000 - £54,999	103	58	161	97	45	142
£55,000 - £59,999	82	25	107	73	22	95
£60,000 - £64,999	28	18	46	22	6	28
£65,000 - £69,999	26	3	29	22	8	30
£70,000 - £74,999	6	8	14	3	2	5
£75,000 - £79,999	4	1	5	6	1	7
£80,000 - £84,999	3	3	6	2	1	3
£85,000 - £89,999	1	2	3	-	9	9
£90,000 - £94,999	-	10	10	1	3	4
£95,000 - £99,999	2	-	2	1	-	1
£100,000 - £104,999	1	-	1	-	1	1
£105,000 - £109,999	-	1	1	-	-	-
£110,000 - £114,999	-	-	-	-	2	2
£115,000 - £119,999	-	2	2	-	1	1
£120,000 - £124,999	-	1	1	-	1	1
£125,000 - £129,999	-	-	-	-	-	-
£130,000 - £134,999	-	1	1	-	-	-
£135,000 - £139,999	-	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	
	2022/23	2021/22	£	£	£	£	2022/23	2021/22
			2022/23	2021/22	2022/23	2021/22		
£0-£20,000	6	1	52,985	4,758	12,757	-	65,742	4,758
£20,001-£40,000	2	1	59,880	25,695	-	-	59,880	25,695
£40,001-£60,000	1	1	18,741	44,347	39,104	-	57,845	44,347
£60,001-£80,000	1	-	73,616	-	-	-	73,616	-
£80,001-£100,000	1	-	98,779	-	-	-	98,779	-
£100,001-£150,000	1	-	102,316	-	-	-	102,316	-
>£150,001	-	-	-	-	-	-	-	-
<b>Total Cost included in CIES</b>	<b>12</b>	<b>3</b>	<b>406,317</b>	<b>74,800</b>	<b>51,861</b>	<b>-</b>	<b>458,178</b>	<b>74,800</b>

**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.

<b>Relevant Union Officials – Non Teaching</b>	
Number of employees who were relevant union officials from 1 April 2022 to 31 March 2023	Full-time equivalent employee number
	1
<b>Percentage of time spent on facility time</b>	
Percentage of time	Number of Employees
0%	
1-50%	
51%-99%	
100%	1
<b>Percentage of pay-bill spent on facility time</b>	
Total Cost of Facility Time	£52,418
Total Wage Bill	£102,932,338
Percentage of Wage Bill spent on facility time	0.05 %
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

<b>Relevant Union Officials - Teaching</b>	
Number of employees who were relevant union officials from 1 April 2022 to 31 March 2023	Full-time equivalent employee number
	1.4
<b>Percentage of time spent on facility time</b>	
Percentage of time	Number of Employees
0%	
1-50%	1
51%-99%	
100%	1
<b>Percentage of pay-bill spent on facility time</b>	
Total Cost of Facility Time	£90,353
Total Wage Bill	£83,218,087
Percentage of Wage Bill spent on facility time	0.109 %
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Councillor Owen O'Donnell  
Leader of the Council

Steven Quinn  
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 2022			Year Ended 31 March 2023			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
<b>RESTATED</b>		<b>RESTATED</b>				
168,905	(16,732)	152,173	Education	182,820	(19,083)	163,737
151,663	(92,587)	59,076	HSCP – Provision of Services	150,014	(82,011)	68,003
41,501	(11,794)	29,707	Environment	48,008	(11,391)	36,617
21,673	(14,329)	7,344	Business Operations & Partnerships	23,076	(14,370)	8,706
430	(250)	180	Chief Executive's Office	561	(273)	288
5,111	(31)	5,080	Other Expenditure & Income	6,434	(109)	6,325
3,624	(285)	3,339	Support Services – Chief Executive's Office	3,664	(254)	3,410
15,425	(810)	14,615	Support Services – Business Operations & P'ships.	13,442	(283)	13,159
2,821	(278)	2,543	Support Services – Environment	2,030	(566)	1,464
<b>411,153</b>	<b>(137,096)</b>	<b>274,057</b>	<b>Cost of general fund services</b>	<b>430,049</b>	<b>(128,340)</b>	<b>301,709</b>
20,351	(13,415)	6,936	HRA	19,269	(14,024)	5,245
<b>431,504</b>	<b>(150,511)</b>	<b>280,993</b>	<b>Cost of Services</b>	<b>449,318</b>	<b>(142,364)</b>	<b>306,954</b>
		229	Other operating expenditure/ (income) (Note 12)			(490)
		12,471	Financing and investment income and expenditure (Note 13)			9,569
		<u>(277,410)</u>	Taxation and non-specific grant income (Note 14)			<u>(288,825)</u>
		<b>16,283</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>27,208</b>
		(99,152)	(Surplus) or deficit on revaluation of Property, Plant and Equipment assets (Note 25)			(81,592)
		2,632	Impairment losses on non-current assets charged to the Revaluation Reserve (Note 25)			4,229
		-	Surplus or deficit on revaluation of available for sale financial assets			
		(92,177)	Actuarial (gains)/losses on pension assets/liabilities (Note 25)			(69,872)
		<u>(188,697)</u>	<b>Other Comprehensive (Income) and Expenditure</b>			<u>(147,235)</u>
		<b>(172,414)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(120,027)</b>



# 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
<b>Balance at 31 March 2022 carried forward</b>	(11,772)	(34,417)	(1,867)	(2,628)	(3,647)	(1,903)	(2,671)	(58,905)	(573,298)	(632,203)
<b>Movement in reserves during 2022/23</b>										
Total Comprehensive (Income) and Expenditure	23,910	-	3,298	-	-	-	-	27,208	(147,235)	(120,027)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(29,730)	-	(3,229)	2,628	-	-	(2,443)	(32,774)	32,774	-
<b>(Increase)/Decrease in 2022/23</b>	<b>(5,820)</b>	<b>-</b>	<b>69</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>(2,443)</b>	<b>(5,566)</b>	<b>(114,461)</b>	<b>(120,027)</b>
<b>Net transfer (to) or from reserves</b>	<b>10,934</b>	<b>(11,039)</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>(43)</b>	<b>(288)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(687,759)</b>	<b>(752,230)</b>

RESTATED	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 RESTATED £000
<b>Balance at 31 March 2021 carried forward</b>	(11,670)	(35,594)	(2,221)	(1,920)	(4,236)	(1,969)	(2,668)	(60,278)	(399,511)	(459,789)
<b>Movement in reserves during 2021/22</b>										
Total Comprehensive (Income) and Expenditure	13,802	-	2,481	-	-	-	-	16,283	(188,697)	(172,414)
Adjustments between accounting basis & funding basis under regulations (Note 10)	(13,014)	-	(2,127)	-	-	-	231	(14,910)	14,910	-
<b>(Increase)/Decrease in 2021/22</b>	<b>788</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231</b>	<b>1,373</b>	<b>(173,787)</b>	<b>(172,414)</b>
<b>Net transfer (to) or from reserves</b>	<b>(890)</b>	<b>1,177</b>	<b>-</b>	<b>(708)</b>	<b>589</b>	<b>66</b>	<b>(234)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,772)</b>	<b>(34,417)</b>	<b>(1,867)</b>	<b>(2,628)</b>	<b>(3,647)</b>	<b>(1,903)</b>	<b>(2,671)</b>	<b>(58,905)</b>	<b>(573,298)</b>	<b>(632,203)</b>



## 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 2022		Notes	31 March 2023
£000			£000
<b>RESTATED</b>			
840,070	Property, Plant & Equipment	15	934,612
260	Heritage Assets	16	285
118	Intangible Assets	18	140
250	Investments	19	247
-	Defined Benefit Asset	39	16,221
<b>840,698</b>	<b>Long Term Assets</b>		<b>951,505</b>
-	Assets Held for Sale		-
481	Short Term Intangible Assets		481
599	Inventories		588
30,359	Short Term Debtors	20	24,689
13,998	Short Term Investments	19	4,999
62,814	Cash and Cash Equivalents	22	62,281
<b>108,251</b>	<b>Current Assets</b>		<b>93,038</b>
(828)	Short Term Borrowing	19	(377)
(5,211)	Finance Leases including PFI/PPP	19	(5,368)
(60,681)	Short Term Creditors	23	(64,414)
(617)	Provisions – short term	24	(640)
<b>(67,337)</b>	<b>Current Liabilities</b>		<b>(70,799)</b>
(167)	Provisions – long term	24	(166)
(118,015)	Long Term Borrowing	19	(127,639)
(43)	Long Term Creditors	23	(5)
(73,500)	PFI/PPP Finance Lease	19	(68,132)
(50,357)	Defined Benefit Pension Liability	39	(17,398)
(7,327)	Capital Grant Receipts in Advance	31	(8,174)
<b>(249,409)</b>	<b>Long Term Liabilities</b>		<b>(221,514)</b>
<b>632,203</b>	<b>Net Assets</b>		<b>752,230</b>
(58,905)	Usable Reserves	11	(64,471)
(573,298)	Unusable Reserves	25	(687,759)
<b>(632,203)</b>	<b>Total Reserves</b>		<b>(752,230)</b>

Margaret McCrossan CPFA  
Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 13 June 2023 and the audited financial statements were authorised for issue by the Head of Accountancy on 26 September 2023



## **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.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>RESTATED</b>		
16,283	Net (surplus) or deficit on the provision of services	27,208
(40,769)	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26)	(33,916)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
<hr/>		
(24,486)	Net cash flows from Operating Activities	(6,708)
16,330	Investing Activities (Note 27)	20,205
6,461	Financing Activities (Note 28)	(12,964)
<hr/>		
(1,695)	Net (increase) or decrease in cash and cash equivalents	533
(61,119)	Cash and cash equivalents at the beginning of the reporting period	(62,814)
<hr/>		
<b>(62,814)</b>	<b>Cash and cash equivalents at the end of the reporting period (Including Bank Overdraft) - (Note 22)</b>	<b>(62,281)</b>
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# **Notes to the Accounts**

## **1. ACCOUNTING POLICIES**

### **General Principles**

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 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.

### **Going Concern**

The accounts have been prepared on the basis that the Council is a going concern and covers the period for at least the next 12 months following the approval of the financial statements to 30 September 2024. The concept of a going concern assumes that the Council's functions and services will continue to operate for the foreseeable future. The provisions in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate and confirm that, as local authorities cannot be created or dissolved without statutory prescription, they must prepare their accounts on a going concern basis of accounting. In accordance with the CIPFA Code of Practice on Local Authority Accounting (2022/23), the Council is required to prepare its annual accounts on a going concern basis unless informed by the relevant national body of an intention of dissolution without transfer of services or function to another entity. There has been no such notification.

On 1 March 2023 East Renfrewshire Council approved an updated Financial Planning report covering the period 2023 to 2029. At the same meeting a balanced budget was agreed for 2023/24. In addition to the adoption of savings measures and an increase in Council Tax, this included the utilisation of fiscal flexibilities to assist in managing the Council's budget pressures over the next three years.

The Council's uncommitted general fund balance at 31 March 2023 is £6.658m (2.3% of annual revenue budget). Our policy is to hold a minimum of around 2% with an aim of 4%. Should additional cost pressures in 2023/24 exceed the remaining uncommitted general fund balance, the Council would consider a range of options as set out below.

The Council has a high level of balances of cash short term deposits, totalling £68,290k as at 31 March 2023. The Council's cashflow is monitored daily by management and the Council does not forecast any cashflow shortage through to 30 September 2024.

The Council continues to regularly monitor its financial position, providing regular updates to elected members through Cabinet reports. Any new spending pressures that cannot be accommodated within the agreed budget would be referred to full Council. Options for addressing any such budget gap would include consideration of restrictions on expenditure, revisions to service delivery or service standards, additional savings measures or reprioritisation of earmarked reserves and balances. Officers and members continue to liaise with COSLA and the Scottish Government, particularly in



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

respect of the developing fiscal framework, in order to secure sustainable funding for local government in future.

### **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.

### **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



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

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.

#### **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 4.75% (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



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

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.

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. A negative balance that may arise 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.

### **Pension Net-Asset Recognition**

Where the Council's share of the Local Government Pension Scheme is an overall asset position, reflecting that its share of the Funds' assets exceeds the present value of its liabilities to members, this is accounted for in line with the requirements of IAS 19 and IFRIC 14. Specifically, the asset recognised by the Council is limited to the extent to which the Council can recover the benefit of the asset through refunds or reduced contributions. This is referred to as an "asset ceiling". More information is provided in note 39 to the accounts.



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

### **Unfunded Pension Liabilities**

In addition to normal scheme pension arrangements, certain employees also accrue benefits under unfunded pension arrangements. These unfunded pension liabilities are provided for in the Balance Sheet and disclosed separately when there is an overall net pension asset held by the Council. Reflecting the fact that there are no assets held to fund these and future payments are met through costs to the Council annually.

### **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**

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. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected 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.

### **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 insurance valuation which is based on market value, as at April 2023.

### **Civic Regalia**

The chains of office used by the Provost and their partner, where relevant, 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 April 2023.

### **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 April 2023, 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**

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 First in First out (FIFO) or weighted average costing formulas.

### **Long Term Contracts**

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.



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

Land & Building and Plant & Equipment costing less than £10k are not treated as fixed assets. These de-minimis levels do not apply where certain categories of these assets are grouped together and form part of the approved capital programme.

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

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

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

Assets included in the Balance Sheet at current value are revalued annually.

### **Impairment**

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

### **Depreciation**

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

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

### **Disposals and Non-Current Assets Held for Sale**

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

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have



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

been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

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

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

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

East Renfrewshire Council operates 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 7.18% 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.

### **Change to Accounting Policy**

The Local Government finance circular 10/2022 permits the option for Scottish Council's to apply additional flexibility to the accounting treatment for Private Finance Initiative and similar contracts that are in place before 1 April 2022. The Council have approved this flexibility to be applied to the five arrangements in 2022/23, including the option to apply this approach retrospectively.

The circular allows Councils to write off the liability held in the balance sheet for each project over the life of the asset instead of the life of the contract and results in an increase in the Capital Financing



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

Requirement of £14,812k in 2022/23 which will be written off over the remaining useful life of the asset. The useful lives are based on similar projects that the Council writes off within its loans fund.

The Chief Financial Officer has included the financial implications of this flexibility within the context of the financial forecast of the Council's Medium / Long Financial plan and considered its application to be affordable, prudent and sustainable when finalising the 2023/24 revenue budget of the Council. The savings that have been generated have been balanced against the deferring costs to future Council Taxpayers which on a yearly basis, equate to less than half of the planning materiality level set by the Council's External Auditors.

The cumulative value of liability charged to the general fund prior to applying the flexibility was £56,946k, the revised cumulative value charged to the General Fund is £42,134k, leaving a balance of £14,812k in 2022/23 which is included in the General Fund reserve (note 11)

### **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 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.



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

### **VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from His 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	2021/22 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	2022/23 Adjustments Between Funding & Accounting Basis (See Note 3)	Net Expenditure in the Comprehensive Income & Expenditure Statement
£'000	£'000 RESTATED	£'000 RESTATED		£'000	£'000	£'000
144,908	7,265	152,173	Education	153,052	10,685	163,737
54,677	4,399	59,076	HSCP - Provision of Services	62,932	5,071	68,003
23,780	5,927	29,707	Environment	25,775	10,842	36,617
6,206	1,138	7,344	Business Operations & Partnerships	7,381	1,325	8,706
147	33	180	Chief Executive's Office	(834)	1,122	288
10,153	(5,073)	5,080	Other Expenditure & Income	(4,365)	10,690	6,325
2,645	694	3,339	Support Services – Chief Executive's Office	2,819	591	3,410
10,038	4,577	14,615	Support Services – Business Ops & P'ships	8,732	4,427	13,159
1,954	589	2,543	Support Services – Environment	1,127	337	1,464
<b>254,508</b>	<b>19,549</b>	<b>274,057</b>	<b>Net Cost of General Fund Services</b>	<b>256,619</b>	<b>45,090</b>	<b>301,709</b>
510	6,426	6,936	HRA	232	5,013	5,245
<b>255,018</b>	<b>25,975</b>	<b>280,993</b>	<b>Cost of Services</b>	<b>256,851</b>	<b>50,103</b>	<b>306,954</b>
(751)	980	229	Other operating expenditure	(868)	378	(490)
8,697	3,774	12,471	Financing and investment income and expenditure	8,422	1,147	9,569
(261,535)	(15,875)	(277,410)	Taxation and non-specific grant income	(270,261)	(18,564)	(288,825)
<b>1,429</b>	<b>14,854</b>	<b>16,283</b>	<b>(Surplus) / Deficit on Provision of Services</b>	<b>(5,856)</b>	<b>33,064</b>	<b>27,208</b>
(49,485)			Opening General Fund and HRA Balance	(48,056)		
1,429			(Surplus) / Deficit on General Fund and HRA Balance in Year	(5,856)		
<b>(48,056)</b>			<b>Closing General Fund and HRA Balance*</b>	<b>(53,912)</b>		

\*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.

2022/23	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
Education	6,454	6,578	(2,347)	10,685
HSCP – Provision of Services	100	4,875	96	5,071
Environment	4,950	3,174	2,718	10,842
Business Operations & Partnerships	80	1,201	44	1,325
Chief Executive's Office	1	-	1,121	1,122
Other Expenditure & Income	-	73	10,617	10,690
Support Services – Chief Executive's Office	-	585	6	591
Support Services – Business Ops & P'ships	3,117	1,330	(20)	4,427
Support Services – Environment	-	335	2	337
<b>Net Cost of General Fund Services</b>	<b>14,702</b>	<b>18,151</b>	<b>12,237</b>	<b>45,090</b>
HRA	8,477	926	(4,390)	5,013
<b>Cost of Services</b>	<b>23,179</b>	<b>19,077</b>	<b>7,847</b>	<b>50,103</b>
Other Operating Expenditure	378	-	-	378
Financing & Investment Income & Expenditure	-	1,615	(468)	1,147
Taxation & Non-Specific Grant Income	(18,564)	-	-	(18,564)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>4,993</b>	<b>20,692</b>	<b>7,379</b>	<b>33,064</b>

2021/22	Adjustments for Capital Purposes	Net Charges for Pension Adjustments	Other Differences	Total
	£'000	£'000	£'000	£'000
	RESTATED			RESTATED
Education	5,690	7,113	(5,538)	7,265
HSCP – Provision of Services	(466)	4,941	(76)	4,399
Environment	4,045	3,448	(1,566)	5,927
Business Operations & Partnerships	11	1,101	26	1,138
Chief Executive's Office	-	-	33	33
Other Expenditure & Income	-	6	(5,079)	(5,073)
Support Services – Chief Executive's Office	-	708	(14)	694
Support Services – Business Ops & P'ships	2,845	1,841	(109)	4,577
Support Services – Environment	194	402	(7)	589
<b>Net Cost of General Fund Services</b>	<b>12,319</b>	<b>19,560</b>	<b>(12,330)</b>	<b>19,549</b>
HRA	9,707	938	(4,219)	6,426
<b>Cost of Services</b>	<b>22,026</b>	<b>20,498</b>	<b>(16,549)</b>	<b>25,975</b>
Other Operating Expenditure	980	-	-	980
Financing & Investment Income & Expenditure	-	2,593	1,181	3,774
Taxation & Non-Specific Grant Income	(15,875)	-	-	(15,875)
<b>(Surplus)/Deficit on Provision of Services</b>	<b>7,131</b>	<b>23,091</b>	<b>(15,368)</b>	<b>14,854</b>



## **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:-

- **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 2023/24 code:-

- IAS 8 – Definition of Accounting Estimates, issued in February 2021
- IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* – Disclosure of Accounting Policies, issued in February 2021
- IAS 12 *Income Taxes* – Deferred Tax related to Assets and Liabilities arising from a Single Transaction, issued in May 2021
- IFRS 3 *Business Combinations* – Updating a Reference to the Conceptual Framework, issued in May 2020,

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:

**2022/23**

Expenditure/Income	Education	HSCP	Environment	Business Operations & P'ships	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
<b>Expenditure</b>										
Employee expenses	132,614	35,580	20,699	8,260	26	73	13,672	5,126	1,615	217,665
Other services expenses	43,752	63,742	22,359	14,736	534	6,361	2,347	5,666	-	159,497
Depreciation, amortisation, impairment	6,454	100	4,950	80	1	-	3,117	8,477	-	23,179
Interest payments	-	-	-	-	-	-	-	-	9,861	9,861
Gain on the disposal of assets	-	-	-	-	-	-	-	-	378	378
<b>Total expenditure</b>	<b>182,820</b>	<b>99,422</b>	<b>48,008</b>	<b>23,076</b>	<b>561</b>	<b>6,434</b>	<b>19,136</b>	<b>19,269</b>	<b>11,854</b>	<b>410,580</b>
<b>Income</b>										
Fees, charges and other service income	(3,118)	(26,955)	(7,557)	(2,280)	(273)	(109)	(1,103)	(13,897)	(868)	(56,160)
Interest and investment income	-	-	-	-	-	-	-	-	(1,907)	(1,907)
Income from council tax	-	-	-	-	-	-	-	-	(58,611)	(58,611)
Government grants and contributions (Note 31)	(15,965)	(4,464)	(3,834)	(12,090)	-	-	-	(127)	(230,214)	(266,694)
<b>Total income</b>	<b>(19,083)</b>	<b>(31,419)</b>	<b>(11,391)</b>	<b>(14,370)</b>	<b>(273)</b>	<b>(109)</b>	<b>(1,103)</b>	<b>(14,024)</b>	<b>(291,600)</b>	<b>(383,372)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>163,737</b>	<b>68,003</b>	<b>36,617</b>	<b>8,706</b>	<b>288</b>	<b>6,325</b>	<b>18,033</b>	<b>5,245</b>	<b>(279,746)</b>	<b>27,208</b>

**2021/22**

Expenditure/Income	Education	HSCP	Environment	Business Operations & P'ships	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
	<b>RESTATED</b>									<b>RESTATED</b>
<b>Expenditure</b>										
Employee expenses	123,770	32,253	19,647	6,479	24	6	15,785	4,662	2,593	205,219
Other services expenses	39,445	52,648	17,809	15,183	406	5,105	3,046	5,982	-	139,624
Depreciation, amortisation, impairment	5,690	(466)	4,045	11	-	-	3,039	9,707	-	22,026
Interest payments	-	-	-	-	-	-	-	-	10,054	10,054
Gain on the disposal of assets	-	-	-	-	-	-	-	-	980	980
<b>Total expenditure</b>	<b>168,905</b>	<b>84,435</b>	<b>41,501</b>	<b>21,673</b>	<b>430</b>	<b>5,111</b>	<b>21,870</b>	<b>20,351</b>	<b>13,627</b>	<b>377,903</b>
<b>Income</b>										
Fees, charges and other service income	(4,144)	(16,889)	(9,264)	(1,341)	(250)	(31)	(1,369)	(13,415)	(751)	(47,454)
Interest and investment income	-	-	-	-	-	-	-	-	(176)	(176)
Income from council tax	-	-	-	-	-	-	-	-	(54,366)	(54,366)
Government grants and contributions (Note 31)	(12,588)	(8,470)	(2,530)	(12,988)	-	-	(4)	-	(223,044)	(259,624)
<b>Total income</b>	<b>(16,732)</b>	<b>(25,359)</b>	<b>(11,794)</b>	<b>(14,329)</b>	<b>(250)</b>	<b>(31)</b>	<b>(1,373)</b>	<b>(13,415)</b>	<b>(278,337)</b>	<b>(361,620)</b>
<b>(Surplus)/Deficit on the Provision of Services</b>	<b>152,173</b>	<b>59,076</b>	<b>29,707</b>	<b>7,344</b>	<b>180</b>	<b>5,080</b>	<b>20,497</b>	<b>6,936</b>	<b>(264,710)</b>	<b>16,283</b>



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

### **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:

- 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.

### **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 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

<b>Item</b>	<b>Uncertainties</b>	<b>Effect if Actual Results differ Assumptions</b>
Valuation of Property	<p>The valuation of the council's property, plant and equipment which are subject to revaluation are subject to significant estimation due to a number of factors, such as ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards, the remaining useful economic lives of the assets. Given the material nature of the council's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the council's assets at 31 March 2023 is outlined and broken down by asset category at note 15.</p> <p>In particular, additional consideration continues to be given to the effects of the current economic climate on the council's property assets and their associated values. In order to take an informed view and to gauge the position of the wider valuation profession on this matter, consultation has taken place with colleagues from a wide range of Scottish local authorities, private practice surveyors, the District Valuers Office, the Association of Chief Estate Surveyors</p>	<p>The value of all council property, plant and equipment subject to a move to annual valuations in the current year is £827.70m. The impact of a 5% change in valuation would be a total of £41.385m. This would either result in an increase or decrease in the council's revaluation reserve or an additional impairment charge. There would be no impact on the council's general fund. Given the wide ranging nature of the assets under revaluation, as well as the differing and overlapping estimates involved in the valuations, it is not possible for management to provide an expected range of estimate outcomes going forward. However, given the experience in past years and materiality of the asset values, it is expected that these balances will continue to be subject to change as estimates are updated annually.</p>

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

	<p>(ACES) and the Royal Institute of Chartered Surveyors (RICS).</p> <p><b>2022/23 revaluations</b></p> <p>In 2022/23, valuations were undertaken on all council assets, having previously carried out cyclical valuations. The asset valuations were based on a depreciated replacement cost (DRC) basis and resulted in a net upwards revaluation of assets of £80.947m (11% from previous revaluation). A valuation movement of £0.645m was charged to the Comprehensive Income and Expenditure Account. The changes in valuation in assets in 2022/23, compared to 2021/22, represent updated information around the assets since the most recent full valuation.</p> <p>The council has also continued to assess the valuation of its asset base subsequent to the financial year end to ensure new information does not indicate a change in valuation at the balance sheet date.</p>	
Pensions Assets	<p>Estimation of the net asset 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.</p>	<p>The effects on the net pension asset of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £9.626m, a 0.1% decrease in the salary increase rate will result in a decrease in liability of £1.153m and a 0.1% decrease in the pension increase rate will result in an decrease in liabilities of £8.610m. During 2022/23, the Council actuaries advised that the net pension liability had decreased by £211m to reflect a net asset of £160.463m, in the main due to an assumptions update on the Corporate Bond yield which resulted in a gain of £255.1m, offset by a reduction in investment return of £29.4m (-2.3% actual : 2.70% assumption) and a higher Pension Increase Order than anticipated of £36.24m (10.1%actual: 3.2% assumption). However the asset gain has been limited in the Balance Sheet to only recognise the value of the pension asset allowed under the accounting standard.</p>
Arrears	<p>At 31 March 2023, the Council had a sundry debtor balance of £3.06m, Council Tax Debtors of £15.03m and Non Domestic Rate Debtors of £3.43m. A review of significant balances suggested that an impairment of doubtful debts of 46.9% / £1.4m was appropriate for sundry debtors and provisions of 91.3% / £13.73m and 89.06% / £3.05m 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.</p>	<p>If collection rates were to deteriorate, an increase in bad debt of 10% would require an additional £0.14m to be set aside for sundry debt as an allowance and £1.37m and £0.31m for Council Tax and Non Domestic Rate debtors respectively</p>

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



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

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

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

<b>Disposal of property, plant and equipment</b>	<b>£000</b>
Net Book Value of Assets	563
Sale Proceeds	<u>(185)</u>
(Profit)/loss on disposal	378

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

The Statement of Accounts was authorised for audit by the Head of Accountancy (Chief Financial Officer) on 13 June 2023. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

2022/23	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
<b>Adjustments primarily involving the Capital Adjustment Account</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(12,014)	(5,258)					17,272
Amortisation of intangible assets (Note 18)	(100)						100
Difference between fair value and historic cost depreciation	(2,588)	(3,219)					5,807
Capital grants and contributions applied (Note 33)	12,976	3,350	2,238				(18,564)
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)	(497)	(66)	185				378
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	11,032	2,967	(2,238)				(11,761)
Adjustment to the statutory repayment of debt for service concession arrangements – permitted flexibility	(14,812)						14,812
Capital expenditure charged against the General Fund and HRA balances	(2,563)	3					2,560
Voluntary provision for repayment of debt (Note 25)	108						(108)
<b>Adjustments primarily involving the Capital Reserve:</b>							
Use of the Capital Reserve to finance new capital expenditure							
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied Account:</b>							
Use of Capital receipts initially transferred to grants & receipts unapplied to fund Covid-19 pressures			(2,628)	2,628			-
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 25)	11						(11)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 25)	(19,687)	(1,005)					20,692
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 25)	(1,596)	(1)					1,597
<b>Total Adjustments (see MIRS)</b>	<b>(29,730)</b>	<b>(3,229)</b>	<b>(2,443)</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>32,774</b>

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

2021/22- RESTATED	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
<b>Adjustments primarily involving the Capital Adjustment Account</b>							
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Charges for depreciation and impairment of non-current assets	(10,083)	(7,001)					17,084
Amortisation of intangible assets (Note 18)	(110)						110
Difference between fair value and historic cost depreciation	(2,126)	(2,706)					4,832
Capital grants and contributions applied (Note 33)	10,096	5,779					(15,875)
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)	(1,919)		231				1,688
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>							
Statutory provision for the financing of capital investment	10,183	2,834					(13,017)
Capital expenditure charged against the General Fund and HRA balances	2,362						(2,362)
Voluntary provision for repayment of debt (Note 25)	108						(108)
<b>Adjustments primarily involving the Capital Reserve:</b>							
Use of the Capital Reserve to finance new capital expenditure							
<b>Adjustments primarily involving the Capital Grants &amp; Receipts Unapplied Account:</b>							
Use of Capital receipts initially transferred to grants & receipts unapplied to fund Covid-19 pressures							
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>							
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements (Note 25)	10						(10)
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (Note 25)	(22,035)	(1,056)					23,091
<b>Adjustment primarily involving the Statutory Accumulating Compensated Absences Account:</b>							
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements (Note 25)	500	23					(523)
<b>Total Adjustments (see MIRS)</b>	<b>(13,014)</b>	<b>(2,127)</b>	<b>231</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,910</b>

**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 2022/23.

	Balance at 31 March 2021 £000	Transfers Out 2021/22 £000	Transfers In 2021/22 £000	Balance at 31 March 2022 £000	Transfers Out 2022/23 £000	Transfers In 2022/23 £000	Balance at 31 March 2023 £000
<b>Non-earmarked Reserve</b>	<b>(11,670)</b>	<b>788</b>	<b>(890)</b>	<b>(11,772)</b>	<b>10,934</b>	<b>(5,820)</b>	<b>(6,658)</b>
Equalisation Reserve	(2,874)	-	(32)	(2,906)	-	(95)	(3,001)
Modernisation Fund	(5,771)	1,162	(7)	(4,616)	1,159	(2,103)	(5,560)
Unspent Grants	(6,696)	6,696	(4,852)	(4,852)	4,852	(5,186)	(5,186)
Unspent Covid-19 Grants	(12,815)	6,604	(7,874)	(14,085)	5,523	-	(8,562)
Whitelee Wind Farm	(828)	218	(302)	(912)	-	(147)	(1,059)
Commuted Sums	(2,371)	2,371	(2,457)	(2,457)	2,457	(62)	(62)
Devolved School Management	(4,039)	1,422	(1,818)	(4,435)	1,466	(1,329)	(4,298)
Feasibility Fund	(200)	46	-	(154)	21	(103)	(236)
Get to Zero Fund	-	-	-	-	20	(400)	(380)
Service Concessions Flexibility	-	-	-	-	-	(14,812)	(14,812)
Workforce Restructuring Fund	-	-	-	-	-	(1,500)	(1,500)
Employee Wellbeing & Development Fund	-	-	-	-	-	(400)	(400)
Community Capacity Building Fund	-	-	-	-	-	(400)	(400)
<b>General Fund Total</b>	<b>(47,264)</b>	<b>19,307</b>	<b>(18,232)</b>	<b>(46,189)</b>	<b>26,432</b>	<b>(32,357)</b>	<b>(52,114)</b>
HRA	(2,221)	354	-	(1,867)	69	-	(1,798)
Capital Reserve	(2,668)	-	(3)	(2,671)	2,238	(4,969)	(5,402)
Capital Grants & Receipts unapplied account	(1,920)	-	(708)	(2,628)	2,628	-	-
Repairs and Renewal Fund	(4,236)	1,371	(782)	(3,647)	1,936	(1,500)	(3,211)
Insurance Fund	(1,969)	68	(2)	(1,903)	-	(43)	(1,946)
<b>Total</b>	<b>(60,278)</b>	<b>21,100</b>	<b>(19,727)</b>	<b>(58,905)</b>	<b>33,303</b>	<b>(38,869)</b>	<b>(64,471)</b>

**Notes to the Accounts (cont'd)****12. COMPREHENSIVE INCOME & EXPENDITURE STATEMENT – OTHER OPERATING EXPENDITURE**

	2022/23 £000	2021/22 £000
(Gain)/Loss on disposal of Fixed Asset (See Note 8)	378	980
Rental Income – operating lease over property, plant and equipment	(868)	(751)
	<u>(490)</u>	<u>229</u>

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

	2022/23 £000	2021/22 £000
Interest payable and similar charges	9,860	10,051
Pension interest costs and expected return on pension assets	1,615	2,593
Interest receivable and similar income	(1,907)	(176)
Expected credit loss	1	3
	<u>9,569</u>	<u>12,471</u>
<b>Total</b>	<b>9,569</b>	<b>12,471</b>

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

	2022/23 £000	2021/22 £000
Council Tax income	(58,611)	(54,366)
Non domestic rates *	(9,574)	(7,234)
Non ring-fenced government grants *	(202,076)	(199,935)
Capital grants and contributions	(18,564)	(15,875)
	<u>(288,825)</u>	<u>(277,410)</u>
<b>Total</b>	<b>(288,825)</b>	<b>(277,410)</b>

\*The movement in income credited to the Comprehensive Income & Expenditure Statement in 2021/22 for Non Domestic Rates, from that reported in the current year, 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 2022/23**

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	PFI Assets Included in Property, Plant and Equipment £000	Total Property, Plant and Equipment £000
<b>Cost or Valuation At 1 April 2022</b>	<b>213,878</b>	<b>386,952</b>	<b>55,529</b>	*	<b>3,585</b>	<b>2,788</b>	<b>9,414</b>	<b>154,612</b>	*
Additions	11,538	8,436	4,346	5,050	157	-	11,303	16	40,846
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	11,087	30,213	-	-	-	(71)	-	16,697	57,926
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,168)	3,909	-	-	-	(246)	-	-	2,495
Derecognition – disposals	(66)	(229)	(17,883)	-	-	(38)	-	-	(18,216)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets transferred to/from assets under construction	3,230	-	-	-	-	-	(3,230)	-	-
Assets transferred to/from Surplus Assets	-	-	-	-	-	-	-	-	-
<b>At 31 March 2023</b>	<b>238,499</b>	<b>429,281</b>	<b>41,992</b>	*	<b>3,742</b>	<b>2,433</b>	<b>17,487</b>	<b>171,325</b>	*
<b>Accumulated Depreciation and Impairment At 1 April 2022</b>	<b>(12,331)</b>	<b>(2,884)</b>	<b>(43,980)</b>	*	-	<b>(4)</b>	-	<b>(263)</b>	*
Depreciation charge	(7,554)	(7,803)	(5,496)	(2,496)	-	(2)	-	(4,073)	(27,424)
Depreciation written out on disposal	-	(186)	17,839	-	-	-	-	-	17,653
Depreciation written out on revaluation reserve	6,484	8,973	-	-	-	-	-	3,955	19,412
Depreciation written out on surplus or deficit on the provision of service	426	1,417	-	-	-	7	-	-	1,850
<b>At 31 March 2023</b>	<b>(12,975)</b>	<b>(483)</b>	<b>(31,637)</b>	*	-	<b>1</b>	-	<b>(381)</b>	*
<b>Net Book Value At 31 March 2023</b>	<b>225,524</b>	<b>428,798</b>	<b>10,355</b>	<b>75,328</b>	<b>3,742</b>	<b>2,434</b>	<b>17,487</b>	<b>170,944</b>	<b>934,612</b>
<b>At 31 March 2022</b>	<b>201,547</b>	<b>384,068</b>	<b>11,549</b>	<b>72,774</b>	<b>3,585</b>	<b>2,784</b>	<b>9,414</b>	<b>154,349</b>	<b>840,070</b>

**Notes to the Accounts (cont'd)****Movements in 2021/22**

	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 RESTATED
<b>Cost or Valuation At 1 April 2021</b>	<b>191,020</b>	<b>372,187</b>	<b>51,043</b>	*	<b>3,585</b>	<b>2,772</b>	<b>6,659</b>	<b>114,759</b>	*
Additions	8,855	5,305	5,728	7,151	-	-	7,480	1,326	35,845
Donations	-	-	-	-	-	-	-	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	12,332	13,646	-	-	-	16	-	35,207	61,201
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(3,054)	(2,116)	-	-	-	-	-	3,320	(1,850)
Derecognition – disposals	-	(2,070)	(1,242)	-	-	-	-	-	(3,312)
Derecognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	-	-	-	-	-	-	-	-
Assets transferred to/from assets under construction	4,725	-	-	-	-	-	(4,725)	-	-
Assets transferred to/from Surplus Assets	-	-	-	-	-	-	-	-	-
<b>At 31 March 2022</b>	<b>213,878</b>	<b>386,952</b>	<b>55,529</b>	*	<b>3,585</b>	<b>2,788</b>	<b>9,414</b>	<b>154,612</b>	*
<b>Accumulated Depreciation and Impairment At 1 April 2021</b>	<b>(11,710)</b>	<b>(17,894)</b>	<b>(40,012)</b>	*	-	<b>(2)</b>	-	<b>(8,675)</b>	*
Depreciation charge	(6,846)	(7,384)	(5,207)	(2,211)	-	(2)	-	(3,023)	(24,673)
Depreciation written out on disposal	-	154	1,239	-	-	-	-	-	1,393
Depreciation written out on revaluation reserve	5,888	17,970	-	-	-	-	-	11,435	35,293
Depreciation written out on surplus or deficit on the provision of service	337	4,270	-	-	-	-	-	-	4,607
<b>At 31 March 2022</b>	<b>(12,331)</b>	<b>(2,884)</b>	<b>(43,980)</b>	*	-	<b>(4)</b>	-	<b>(263)</b>	*
<b>Net Book Value At 31 March 2022</b>	<b>201,547</b>	<b>384,068</b>	<b>11,549</b>	<b>72,774</b>	<b>3,585</b>	<b>2,784</b>	<b>9,414</b>	<b>154,349</b>	<b>840,070</b>
<b>At 31 March 2021</b>	<b>179,310</b>	<b>354,293</b>	<b>11,031</b>	<b>67,834</b>	<b>3,585</b>	<b>2,770</b>	<b>6,659</b>	<b>106,084</b>	<b>731,566</b>



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

### **Depreciation**

Depreciation is provided for on all Property, Plant & Equipment assets by the allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life e.g. land and assets that are not yet available for use (i.e. assets under construction).

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 – 60 years
- Community Assets – 1-20 years

### **Capital Commitments**

At 31 March 2023, the Council was progressing a number of projects for the construction or enhancement of Property, Plant and Equipment in 2023/24 and future years. As approved on 1 March 2023 the 2023/24 Capital Plans for the General Fund totals £72,073k and Housing totals £9,094k. The major commitments include the following projects which have been stated at full project cost:-

	<b>£000</b>
Neilston Learning Campus	30,000
Eastwood Park Leisure – Refurbishment	55,000
Roads Capital Works (Carriageways and Other Infrastructure Assets)	32,500
House Building Programme (Phase 2)	32,010

### **Revaluations**

The Council carries out an annual revaluation programme, having previously carried out cyclical valuations over a five year period, ensuring that all Property, Plant and Equipment required to be measured at fair value is revalued on an annual basis. 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.

### **\*Infrastructure Assets**

The CIPFA/LASAAC Code of Practice for Local Authority Accounting in the United Kingdom requires infrastructure assets to be measured using the historical cost measurement basis and carried at depreciated historical cost. Due to information deficits it is unclear as to whether when an assets component is replaced that the old component has been derecognised to avoid double counting. However, as parts of these assets are rarely replaced before the part has been fully consumed and should therefore be fully depreciated at the date of replacement, the carrying amount to be derecognised in respect of a replaced part of an infrastructure assets is a nil amount.

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

The Scottish Government in recognising the challenge facing Council's has agreed to permit temporary statutory overrides whilst a permanent solution is developed within the Code. As outlined in the Local Government Finance Circular 09/2022 the Council has adopted statutory overrides for the period 1 April 2021 to 31 March 2024 which permits the council not to report gross cost and accumulated depreciation for Infrastructure assets.

**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
<b>Cost or valuation At 1 April 2022</b>	94	65	159	101	101	260
<b>Revaluations</b>	-	-	-	25	25	25
<b>At 31 March 2023</b>	94	65	159	126	126	285

	Statues £000	Civic Regalia £000	Total Tangible Assets £000	Number Plates £000	Total Intangible Assets £000	Total Heritage Assets £000
<b>Cost or valuation At 1 April 2021</b>	94	65	159	75	75	234
<b>Revaluations</b>	-	-	-	26	26	26
<b>At 31 March 2022</b>	94	65	159	101	101	260

**17. 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 2018/19 to 2022/23.

**Notes to the Accounts (cont'd)****18. 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 £100k charged to revenue in 2022/23 was charged to the IT Administration cost centre.

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

	<b>2022/23 Software Licences £000</b>	<b>2021/22 Software Licences £000</b>
<b>Balance at start of year:</b>		
• Gross carrying amounts	1,702	1,646
• Accumulated amortisation	(1,584)	(1,474)
<b>Net carrying amount at start of year</b>	<b>118</b>	<b>172</b>
Additions:		
• Internal development	-	-
• Purchases	122	56
• Acquired through business combinations	-	-
Amortisation for the period	(100)	(110)
Other changes	-	-
Derecognition		
• Gross Book Value	-	-
• Accumulated amortisation	-	-
<b>Net carrying amount at end of year</b>	<b>140</b>	<b>118</b>
Comprising:		
• Gross carrying amounts	1,824	1,702
• Accumulated amortisation	(1,684)	(1,584)
<b>Balance at end of year:</b>	<b>140</b>	<b>118</b>

**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 2023 £000	31 March 2022 £000	31 March 2023 £000	31 March 2022 £000
<b>Investments</b>				
Loans and receivables	247	250	68,289	78,177
<b>Total investments</b>	<b>247</b>	<b>250</b>	<b>68,289</b>	<b>78,177</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost (including Bank overdraft and long term creditors)	(127,644)	(118,058)	(1,404)	(2,211)
<b>Total Borrowings</b>	<b>(127,644)</b>	<b>(118,058)</b>	<b>(1,404)</b>	<b>(2,211)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	(68,132)	(73,500)	(5,368)	(5,211)
<b>Total other long term liabilities</b>	<b>(68,132)</b>	<b>(73,500)</b>	<b>(5,368)</b>	<b>(5,211)</b>

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

	2022/23 Surplus or Deficit on the Provision of Services £000	2021/22 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	4,199	4,059
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	274	238
<b>Total net(gain) / losses</b>	<b>4,473</b>	<b>4,297</b>



## 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 £68,536k financial assets and £129,048k 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 2023		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	129,048	103,242	120,269	143,008

The fair value of the liabilities can sometimes be 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 2023) arising from a commitment to pay interest to lenders above current market rates. However at 31 March 2023 they are lower due to the higher interest rate environment this year which impacts the prevailing market rates in calculating fair value.

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

	31 March 2023		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	129,048	121,656	120,269	174,788

**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 £112.85m, the fair value using New Borrowing Rates would be £88.02m. 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 £103.83m.

The redemption charge is a supplementary measure of the fair value of the Public Works Loan Board (PWLB) loans of £112.85m. 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 2023		31 March 2022	
	Carrying amount	Fair Value	Carrying amount	Fair Value
	£000	£000	£000	£000
Deposits: short-term	63,290	63,290	64,179	64,189
Investments: short-term	4,999	4,999	13,998	13,989
Investments: long-term	247	247	250	250
	<b>68,536</b>	<b>68,536</b>	<b>78,427</b>	<b>78,428</b>

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 2023	31 March 2022
	£000	£000
Trade receivables	3,063	3,646
Receivables from other Public sector bodies	12,292	3,088
Prepayments	3,943	2,957
Other accounts	5,391	20,668
<b>Total</b>	<b>24,689</b>	<b>30,359</b>



**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:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Less than one year	3,416	3,790
Between one to two years	2,676	2,729
Between two and five years	4,713	4,026
More than five years	7,655	6,998
<b>Total</b>	<b>18,460</b>	<b>17,543</b>

The Impairment of receivables for amounts levied in year is 2% and 100% for 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:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Cash held by the Council	18	18
Bank current accounts	(1,027)	(1,383)
Short-term deposits	63,290	64,179
<b>Total</b>	<b>62,281</b>	<b>62,814</b>

**23. CREDITORS**

	<b>31 March 2023</b>		<b>31 March 2022</b>	
	<b>£000</b>		<b>£000</b>	
	<b>Short-term</b>	<b>Long-term</b>	<b>Short-term</b>	<b>Long-term</b>
Trade payables	(4,207)	-	(3,419)	-
Payables to other public sector bodies	(18,617)	-	(28,079)	-
Other accounts	(41,590)	(5)	(29,183)	(43)
<b>TOTAL</b>	<b>(64,414)</b>	<b>(5)</b>	<b>(60,681)</b>	<b>(43)</b>

**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
<b>Balance at 31 March 2022</b>	(209)	(408)	<b>(617)</b>	(6)	(161)	<b>(167)</b>
Additional provisions made in 2022/23	(232)	-	<b>(232)</b>	(23)	(33)	<b>(56)</b>
Amounts used in 2022/23	223	-	<b>223</b>	3	54	<b>57</b>
Unused amounts reversed in 2022/23	(14)	-	<b>(14)</b>	-	-	-
<b>Balance at 31 March 2023</b>	(232)	(408)	<b>(640)</b>	(26)	(140)	<b>(166)</b>

The Council has two short term provisions totalling £640k to cover holidays accrued whilst teachers are on maternity (£232k) 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 £166k. These are made up firstly of £26k, 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 £140k to cover insurance excess for outstanding claims made against the Council.

**25. BALANCE SHEET – UNUSABLE RESERVES**

	31 March 2023	31 March 2022
	£000	£000 RESTATED
Revaluation Reserve	(332,897)	(261,341)
Capital Adjustment Account	(366,453)	(371,250)
Financial Instruments Adjustment Account	871	990
Pensions Reserve	1,177	50,357
Statutory Accumulating Compensated Absences Account	9,543	7,946
<b>Total Unusable Reserves</b>	<b>(687,759)</b>	<b>(573,298)</b>

**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:

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

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

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

	<b>31 March 2023</b> <b>£000</b>	<b>31 March 2022</b> <b>£000</b> <b>RESTATED</b>
<b>Balance at 1 April</b>	<b>(261,341)</b>	<b>(169,653)</b>
<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services:</b>		
Upward revaluation of assets	(81,592)	(99,152)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	4,229	2,632
Difference between fair value depreciation and historical cost depreciation	5,807	4,832
Accumulated gains on assets sold or scrapped	-	-
<b>Balance at 31 March</b>	<b>(332,897)</b>	<b>(261,341)</b>

**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.

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b> <b>RESTATED</b>
<b>Balance at 1 April</b>	<b>(371,250)</b>	<b>(358,878)</b>
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	17,272	17,084
• Revaluation losses on Property, Plant and Equipment	-	-
• PPP/PFI lifecycle costs	3,054	(1,640)
• Amortisation of intangible assets	100	110
• 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	563	1,919
	<b>(350,261)</b>	<b>(341,405)</b>

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

Capital financing applied in the year:

• Use of the Capital Receipts to finance new capital expenditure	(185)	(231)
• Grants applied to Capital Investment	(16,326)	(15,875)
• PPP/PFI Finance lease repayments	(5,211)	(5,084)
• Loan repayments for the financing of capital investment charged against the General Fund and HRA balances	(8,788)	(7,933)
• Capital Funded from Current Revenue/capital reserve	(494)	(722)
• Adjustment to the statutory repayment of debt for service concession arrangements – permitted flexibility	14,812	-

<b>Balance at 31 March</b>	<b>(366,453)</b>	<b>(371,250)</b>
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**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 2023 will be charged to the General Fund over the next year. It is also a balancing account to allow for differences in statutory requirements and proper accounting practices for borrowing and investments.

	2022/23 £000	2021/22 £000
<b>Balance at 1 April</b>	<b>990</b>	<b>1,108</b>
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)
<b>Balance at 31 March</b>	<b>871</b>	<b>990</b>

**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.

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

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>50,357</b>	<b>119,443</b>
Actuarial (gains) or losses on pension assets and liabilities	(69,872)	(92,177)
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	35,423	36,180
Employer's pension contributions and direct payments to pensioners payable in the year	(14,731)	(13,089)
<b>Balance at 31 March</b>	<b>1,177</b>	<b>50,357</b>

**Short term Accumulating Compensated Absences Adjustment Account**

The Accumulating Compensated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, 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.

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Balance at 1 April</b>	<b>7,946</b>	<b>8,469</b>
Settlement or cancellation of accrual made at the end of the preceding year	(7,946)	(8,469)
Amounts accrued at the end of the current year	9,543	7,946
<b>Balance at 31 March</b>	<b>9,543</b>	<b>7,946</b>

**26. CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Interest received	(1,211)	(98)
Interest paid	4,683	4,532
Interest element of finance lease rental and PPP/PFI payment	5,277	5,643

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

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

	<b>2022/23 £000</b>	<b>2021/22 £000 RESTATED</b>
Depreciation and impairment	(17,272)	(17,084)
Difference between Fair Value and Historical Cost Depreciation	(5,807)	(4,832)
Amortisation of intangible assets	(100)	(110)
(Increase)/decrease in creditors	(2,079)	(9,549)
Increase/(decrease) in debtors	(4,022)	42
Increase/(decrease) in inventories	(11)	(450)
Movement in pension liability	(20,692)	(23,091)
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(378)	(1,688)
Other non-cash items charged to the net surplus or deficit on the provision of services	16,445	15,993
	<b>(33,916)</b>	<b>(40,769)</b>

**27. CASH FLOW STATEMENT – INVESTING ACTIVITIES**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Purchase of property, plant and equipment and intangible assets	42,072	35,621
Purchase of short-term and long-term investments	709,846	274,555
Proceeds from the sale of property, plant and equipment and intangible assets	(185)	(294)
Proceeds from short-term and long-term investments	(709,846)	(274,555)
Other receipts from investing activities	(21,682)	(18,997)
<b>Net cash flows from investing activities</b>	<b>20,205</b>	<b>16,330</b>

**Notes to the Accounts (cont'd)****28. CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Financing activities as at 1 April</b>	<b>(183,306)</b>	<b>(189,767)</b>
Cash payments for the reduction of the outstanding Liability relative to a finance lease and on Balance Sheet PFI Contract	5,211	5,084
Repayments of short and long-term borrowing	(18,175)	1,377
Other payments for financing activities		-
<b>Financing activities as at 31 March</b>	<b>(196,270)</b>	<b>(183,306)</b>

**29. AGENCY SERVICES**

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

During 2022/23 the Council collected and paid over £19.7m (2021/22 £18.5m) and received £0.259m (2021/22 £0.259m) for providing the service.

In addition, the Council received a number of funding streams from the Scottish Government in 2022/23 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.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
<b>Covid-19 Grants: where the Council acted as Agent</b>		
Business Support Grants	-	<b>6,124</b>
£500 Bonus payments	-	<b>2,040</b>
Self-Isolation	<b>153</b>	<b>850</b>
Family Pandemic	-	<b>944</b>
Alternative Certification Method	-	<b>305</b>
Omicron Support Payments	-	<b>130</b>
Low Income Pandemic Payments	-	<b>710</b>
Child Bridging Payment	<b>787</b>	-

**30. EXTERNAL AUDIT COSTS**

The Accounts Commission for Scotland appointed Ernst & Young LLP as the Council's External Auditor for the financial years 2022/23 to 2026/27.

The Council has incurred the following costs in relation to the audit of the Annual Accounts and certification of grant claims provided by the Council's external auditors:

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

	2022/23 £000	2021/22 £000
Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with the Code of Audit Practice	320	241
Audit fee in respect of s106 Trust Funds	9	-

**31. GRANT INCOME**

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

	2022/23 £000	2021/22 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant (incl. Covid-19 Funding of £13k in 2022/23: £8,339k in 2021/22)	202,076	199,935
Non Domestic Rates	9,574	7,234
Capital Grants and Contributions	18,564	15,875
<b>Total</b>	<b>230,214</b>	<b>223,044</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	11,800	12,483
Housing Benefit Administration Grant	156	153
Pupil Equity Fund	1,865	1,468
Unitary Charge – Barrhead High School	1,832	1,832
Education 1140 expansion	9,835	7,849
Funding Teachers Pay	850	-
Education Maintenance Allowance	312	357
Ukraine Education tariff	128	-
Young Persons Guarantee	103	216
Developing the Young Workforce	162	161
Active Schools	239	273
Milk & Healthy snack scheme	186	5
Criminal Justice Grant	808	703
Long Term Unemployment	238	-
Private Sector Housing Grant	526	489
Paths for all/ Bikeability	169	-
Strathclyde Passenger Transport	154	300
Refugee Funding	884	-
Capital Grants for 3 <sup>rd</sup> party funding	910	-
Miscellaneous Revenue Grants	2,114	2,891
<b>Covid-19 Grants: where the Council acted as Principal</b>		
Self-Isolation	13	50
Criminal Justice Recovery	-	108
£500 Bonus Payments – Admin grant	-	3
Mobilisation Fund	3,196	7,239
<b>Total</b>	<b>266,694</b>	<b>259,624</b>





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

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:

<b>Capital Grants Receipts in Advance</b>	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Developer's Contributions/ Commuted Sums	7,138	4,584
Environmental Improvement Grant	589	1,674
Town Centre Grant	21	480
Energy Grant	338	312
Bridge Fund	-	89
Levelling Up Grant	-	125
Education Grant	18	-
Miscellaneous	70	63
	<b>8,174</b>	<b>7,327</b>

### **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 (e.g. Council Tax payers). 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 2022/23 is shown on page 43. The Councillors' code of conduct requires Members to complete a Register of Interest. While the Code requires Elected Members to update their register within 1 month of a change taking place, officers issue members with a reminder twice a year. Member's Registers of Interests are published on the Council website and also held in a central register retained by the Department of Business Operations & Partnerships at Council Headquarters. A Member is required to declare an interest where the objective test is met – that is where a member of the public with knowledge of the relevant facts would reasonably regard the Members' connection to a particular matter as being so significant that it would be considered as being likely to influence the discussion or decision. When this situation arises, and where appropriate, the relevant Members leave the meeting and do not take part in any discussion or decision in relation to that interest.

#### **Officers**

Senior Officers influence the Council's financial and operating policies. The Council's interpretation of the definition of Senior Officers along with the total remuneration paid to them is shown in the Remuneration report (on pages 41 & 42). All officers adhere to the Council's code of conduct which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. Again a register is held by the Department of Business Operations and Partnerships which records all notified declarations of interest, preventing the relevant officer, when appropriate, from taking part in any discussion or decision relating to that interest.

**Notes to the Accounts (cont'd)****Entities controlled by the Council, Entities that have Joint Ventures with the Council and those entities that are Significantly Influenced by the Council**

The Council has an interest in a number of entities. Where this interest is considered to be, at least, significant and material then they are consolidated with the accounts of the Council to form the Group Financial Statements and more information on these entities can be found within the notes to the Group Accounts. The following bodies have been included:

**Subsidiaries – entities where the Council have more than a 50% influence over**

East Renfrewshire Culture & Leisure Trust was incorporated into on 2 July 2015 as a company limited by guarantee to 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. The Council's contribution to the Trust is mainly made up of a management fee, however it also pays charges for additional services provided to the Council. It is represented on the Board of Directors by 4 (plus 1 union representative) board members. In the current year the following East Renfrewshire Council transactions were made with East Renfrewshire Culture & Leisure Trust:

	2022/23	2021/22
	£m	£m
<b>Contributions made to East Renfrewshire CLT</b>	6.568	5.196
<b>Service Income received from East Renfrewshire CLT</b>	(0.464)	(0.343)
<b>East Renfrewshire CLT balance due (to)/from the Council</b>	0.092	0.157

**Joint Ventures – where the Council has a joint arrangement whereby the parties have joint control**

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.

The Integration Joint Board receives contributions from its funding partners namely East Renfrewshire Council and Greater Glasgow & 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. They are responsible for planning, commissioning and delivery of services for children, adults and older people, including homelessness and criminal justice services from both partners and also have the planning responsibility for our population's use of large hospital based services along with housing aids & adaptations.

In the current year the following East Renfrewshire Council financial transactions were made with the Integration Joint Board:

	2022/23	2021/22
	£m	£m
<b>Contributions made to East Renfrewshire IJB</b>	82,246	92.632
<b>Commissioning Income received from East Renfrewshire IJB</b>	(96.952)	(82.365)
<b>East Renfrewshire IJB balance due (to)/from the Council</b>	9.901	11.379

**Associates – where the Council has a significant influence over the entity**

East Renfrewshire Council has significant influence over the following bodies, however they do not meet the criteria of Subsidiaries or Joint Ventures. Additional information on these entities, including contributions made to them, can be found within the notes to the Group Accounts:

- Strathclyde Partnership for Transport
- Strathclyde Concessionary Travel Scheme Joint Committee
- The Renfrewshire Valuation Joint Board



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

### **Other Organisations**

The Council has interest in the following bodies in collaboration with other Local Authorities, but are not Associates as the Council either has no significant influence in them or the transactions between them are considered to be immaterial to the understanding of the Accounts, again further information including contributions made to them, can be found in the notes to the Group Accounts:

- Scotland Excel
- Glasgow & the Clyde Valley Strategic Development Planning Authority
- Continuing Education Gateway
- West of Scotland Archaeology Service
- West of Scotland European Forum
- Glasgow City region cabinet
- The SEEMIS Group LLP

**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.

<b>2022/23</b>	<b>Housing £000</b>	<b>General Fund £000</b>	<b>Total £000</b>
<i>Opening Capital Financing Requirement as at 31 March 2022</i>	39,514	168,342	207,856
<i>Capital investment</i>			
Property, Plant and Equipment	12,841	28,005	40,846
Intangible Assets	-	122	122
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve			
Capital receipts	-	(185)	(185)
Government grants and other contributions	(3,350)	(12,976)	(16,326)
<b><i>Sums set aside from revenue</i></b>			
Direct revenue contributions	(3)	(491)	(494)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(2,157)	(2,157)
Loans Fund Principal	(2,967)	(5,821)	(8,788)
<b>Closing Capital Financing Requirement as at 31 March 2023</b>	<b>46,035</b>	<b>174,839</b>	<b>220,874</b>
<b>Explanation of Movements in Year</b>			
Increase in underlying need to borrow	6,521	6,497	13,018
Assets acquired under lease and lease type arrangements	-	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>6,521</b>	<b>6,497</b>	<b>13,018</b>
<b>2021/22</b>	<b>Housing £000</b>	<b>General Fund £000</b>	<b>Total £000</b>
<i>Opening Capital Financing Requirement as at 31 March 2021</i>	35,083	168,357	203,440
<i>Capital investment</i>			
Property, Plant and Equipment	13,050	22,795	35,845
Intangible Assets	-	56	56
Revenue Expenditure Funded from Capital under Statute	-	-	-
<i>Sources of finance</i>			
Capital Reserve	-	-	-
Capital receipts	(6)	(225)	(231)
Government grants and other contributions	(5,779)	(10,096)	(15,875)
<b><i>Sums set aside from revenue</i></b>			
Direct revenue contributions	-	(722)	(722)
Finance lease Principal Repayments (including PFI/PPP Projects)	-	(6,724)	(6,724)
Loans Fund Principal	(2,834)	(5,099)	(7,933)
<b>Closing Capital Financing Requirement as at 31 March 2022</b>	<b>39,514</b>	<b>168,342</b>	<b>207,856</b>
<b>Explanation of Movements in Year</b>			
Increase in underlying need to borrow	4,431	(15)	4,416
Assets acquired under lease and lease type arrangements	-	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>4,431</b>	<b>(15)</b>	<b>4,416</b>

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

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	383	382
Later than one year and not later than five years	790	1,007
Later than five years	1,419	1,517
	<b>2,592</b>	<b>2,906</b>

The expenditure charged to the HSCP, Business Operations & Partnerships and Environmental lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£000</b>	<b>£000</b>
Minimum Lease payments	378	394
Contingent Rents	-	-
	<b>378</b>	<b>394</b>

**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
- 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:-

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

	31 March 2023	31 March 2022
	£000	£000
Not later than one year	1,097	272
Later than one year and not later than five years	2,100	342
Later than five years	12,900	15,355
	<b>16,097</b>	<b>15,969</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2022/23 there were no contingent rents received by the Council (2021/22 no contingent rents 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.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2022 (RESTATED)	31,294
Additions/Revaluations	4,005
Depreciation in Year	(818)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>34,481</b>

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

The total value of payments over the remainder of the contract before inflation will be £7.36m and the total value of income from the Scottish Government will be £4.17m resulting in a net outstanding undischarged obligation before inflation of £3.19m.

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.

**Notes to the Accounts (cont'd)****Estimated Cash Value of Payments Due to be Made**

	<b>Liability</b>	<b>Contingent Rent</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	964	760	298	2,116	4,138
Within 2 to 5 years	2,499	2,478	294	4,945	10,216
Within 6 to 10 years	-	-	-	-	-
<b>ESTIMATED TOTAL</b>	<b>3,463</b>	<b>3,238</b>	<b>592</b>	<b>7,061</b>	<b>14,354</b>

**(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.

<b>Movement in Value of ERC Assets</b>	<b>£000</b>
Valuation at 1 April 2022	27,264
Additions/Revaluations	(3,057)
Depreciation in Year	(842)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>23,365</b>

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 £1.21m.

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

	<b>Liability</b>	<b>Contingent Rent</b>	<b>Interest</b>	<b>Service Charges</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	1,138	1,302	1,102	1,298	4,840
Within 2 to 5 years	4,894	6,274	3,735	6,241	21,144
Within 6 to 10 years	9,204	8,503	2,741	5,772	26,220
Within 11 to 15 years	4,277	4,179	312	3,505	12,273
<b>ESTIMATED TOTAL</b>	<b>19,513</b>	<b>20,258</b>	<b>7,890</b>	<b>16,816</b>	<b>64,477</b>

**Notes to the Accounts (cont'd)****(III) Schools PPP Project**

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

The contract for services at the new schools is for 25 years commencing in July 2006. Services at the extensions commenced in December 2005 but will have the same end date as for the new schools. At the end of the contract period the assets will revert to the Council. These assets are recognised on the 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.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2022 <b>(RESTATED)</b>	84,910
Additions/Revaluations	11,567
Depreciation in Year	(2,224)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>94,253</b>

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

The total value of payments over the remainder of the contract before inflation will be £56.60m and the total value of income from the Scottish Government will be £27.61m leaving a net outstanding undischarged obligation of £28.99m.

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

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

	<b>Liability</b>	<b>Contingent</b>	<b>Interest</b>	<b>Service</b>	<b>Total</b>
	<b>£000</b>	<b>Rent</b>	<b>£000</b>	<b>Charges</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	2,593	2,282	2,085	3,569	10,529
Within 2 to 5 years	11,486	10,072	6,370	16,343	44,271
Within 6 to 10 years	14,777	10,266	2,257	11,466	38,766
Within 11 to 15 years	-	-	-	-	-
<b>ESTIMATED TOTAL</b>	<b>28,856</b>	<b>22,620</b>	<b>10,712</b>	<b>31,378</b>	<b>93,566</b>



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

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2022 <b>(RESTATED)</b>	35,443
Additions/Revaluations	5,093
Depreciation in Year	(914)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>39,622</b>

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 £40.737m and the total value of income from the Scottish Government will be £36.000m leaving a net outstanding undischarged obligation of £4.737m

The Annual Service Payment is subject to inflation increases less than the Retail Price index but the Scottish Government contribution is fixed and will not increase over the lifetime of the project. This will result in an increasing net annual burden for the Council.

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

	<b>Liability</b>	<b>Contingent</b>	<b>Interest</b>	<b>Service</b>	<b>Total</b>
	<b>£000</b>	<b>Rent</b>	<b>£000</b>	<b>Charges</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Within 1 year	586	55	1,251	411	2,303
Within 2 to 5 years	2,337	98	4,628	2,310	9,373
Within 6 to 10 years	3,731	72	4,810	3,490	12,103
Within 11 to 15 years	5,478	318	3,329	3,462	12,587
Within 16 to 20 years	6,866	720	1,154	2,663	11,403
<b>ESTIMATED TOTAL</b>	<b>18,998</b>	<b>1,263</b>	<b>15,172</b>	<b>12,336</b>	<b>47,769</b>

**(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.

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

The estimated useful life of the asset is 25 years and the member authorities do not have any rights to use the facility beyond this point, should the asset life be extended.

Movements in the value over the year are detailed in the analysis of the movement on the Property, Plant & Equipment balance in Note 15.

<b>Movement in Value of Assets</b>	<b>£000</b>
Valuation at 1 April 2022	2,702
Additions/Revaluations	3
Depreciation in Year	(117)
<b>NET BOOK VALUE AT 31 MARCH 2023</b>	<b>2,588</b>

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 2023 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**

	<b>Liability</b>	<b>Contingent</b>	<b>Interest</b>	<b>Service</b>	<b>Total</b>
	<b>£000</b>	<b>Rent</b>	<b>£000</b>	<b>Charge</b>	<b>£000</b>
	<b>£000</b>	<b>£000</b>		<b>£000</b>	<b>£000</b>
Within 1 year	86	28	152	2,125	2,391
Within 2 to 5 years	351	137	562	9,074	10,124
Within 6 to 10 years	333	123	581	13,007	14,044
Within 11 to 15 years	643	358	479	14,347	15,827
Within 16 to 20 years	882	499	263	16,265	17,909
Within 20 to 25 years	376	228	30	5,872	6,506
<b>ESTIMATED TOTAL</b>	<b>2,671</b>	<b>1,373</b>	<b>2,067</b>	<b>60,690</b>	<b>66,801</b>

The estimated cash values of payments due to be made are based on inflation indices ranging from 2%-5%. These rates were the base rates at the beginning of the contract and are applied to the guaranteed minimum tonnage via the ongoing inflationary factor. Future payments could be impacted by actual tonnage and actual rates of inflation.

**36. IMPAIRMENT LOSSES****Impairment of Assets**

Impairment losses/(reversals) of £0.645m were charged to the Comprehensive Income and Expenditure Statement. The breakdown between class of asset is as follows:-

	<b>Losses</b>	<b>Reversal of</b>	<b>Net</b>
	<b>£000</b>	<b>Previous Losses</b>	<b>Loss/(Reversal)</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Property, Plant & Equipment and Assets Held for Sale	2,495	(1,850)	645



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

### **37. TERMINATION BENEFITS**

The Council terminated the contracts of a number of employees in 2022/23 incurring liabilities of £0.458m (£0.075m in 2021/22). This was in respect of 12 officers (3 officers in 2021/22) from across the Council. The Remuneration Report at page 47 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 unfunded liability payable by the Council for this scheme is included in the total unfunded liability disclosed on the Balance Sheet.

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 2022 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 (2021/22 £0.39m) 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 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 2022, by East Renfrewshire Council was £13.743m, equating to approximately 2.06% of the total contributions made to the scheme and the amount paid during the year ending 31 March 2023 was £14.118m.



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

### **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 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.

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

Included in net cost of services within Comprehensive Income and Expenditure Statement	Local Government Pension Scheme	
	2022/23 £000	2021/22 £000
<ul style="list-style-type: none"> <li>Current service cost</li> <li>Past service costs (including curtailments)</li> <li>Effect of settlement</li> <li>Contributions in respect of unfunded benefits</li> </ul>	34,979	34,827
	73	6
	-	-
	(1,244)	(1,246)
<i>Included within Financing and Investment Income and Expenditure</i>		
<ul style="list-style-type: none"> <li>Net interest cost</li> </ul>	1,615	2,593
<b>Total of LGPS Post-Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>35,423</b>	<b>36,180</b>
Included within Other Comprehensive Income and Expenditure		
<ul style="list-style-type: none"> <li>Expected return on scheme assets</li> <li>Actuarial (gains) and losses on changes in demographic assumptions</li> <li>Actuarial (gains) and losses arising on changes in financial assumptions</li> <li>Other</li> </ul>	29,399	(36,208)
	(5,419)	(4,547)
	(130,096)	(52,729)
	36,244	1,307
	<b>(34,449)</b>	<b>(55,997)</b>
<b>Movement in Reserves Statement</b>		
<ul style="list-style-type: none"> <li>Actual amount charged against the General Fund Balance for pensions in the year: employers' contributions payable to scheme</li> <li>Less: Total Post Employment Benefit charged to the Surplus or Deficit on Provision of Services</li> </ul>	14,731	13,089
	(35,423)	(36,180)
<ul style="list-style-type: none"> <li>Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code</li> </ul>	(20,692)	(23,091)

**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 per the table below. The net asset arising from the Council's involvement in the defined benefit scheme totals £160.463m at 31 March 2023. However, this has been limited to £16.221m in line with the accounting requirements of IFRIC 14 to limit the recognition of a pension asset to the extent to which the Council can recover the benefits through either refunds or reduced contributions. As the Council is not able to withdraw from the scheme or recover funds directly, the asset is therefore limited to the forecast reductions in contributions as compared to the forecast future service costs. This has limited the recognition of the pension asset to £16.221m.

Separately the Council has continued to recognise the unfunded element of its pension liabilities as there are no scheme assets to cover the future costs of these liabilities as they are due going forward.

**Notes to the Accounts (cont'd)****Local Government Pension Scheme**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Present value of the defined benefit obligation	(501,544)	(715,695)
Present value of the unfunded liability accounted for separately	(17,398)	(21,421)
Fair value of plan assets	679,405	686,759
<b>Net (liability)/ asset arising from defined benefit obligation</b>	<b>160,463</b>	<b>(50,357)</b>

**Reconciliation of the Movements in the Fair Value of Scheme Assets.****Local Government Pension Scheme**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
<b>Opening fair value of scheme assets</b>	<b>686,759</b>	<b>635,679</b>
Effect of Settlement		
Interest income	18,589	12,735
Remeasurement gain/(loss)		
• The return on plan assets, excluding the amount included in the net interest expenses	(29,399)	36,208
• Other	-	-
The effect of changes in foreign exchange rates		
Contributions from employer	14,731	13,089
Contributions from employees into the scheme	4,640	4,122
Benefits paid	(15,915)	(15,074)
<b>Closing fair value of scheme assets</b>	<b>679,405</b>	<b>686,759</b>

**Reconciliation of Present Value of the Scheme Liabilities ( including the unfunded element outlined above)****Funded liabilities:  
Local Government  
Pension Scheme**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Opening balance at 1 April	(737,116)	(755,122)
Effect of Settlement	-	-
Current service cost	(34,979)	(34,827)
Interest cost	(20,204)	(15,328)
Contributions from scheme participants	(4,640)	(4,122)
Remeasurement gains and (losses)		
• Actuarial gains and (losses) on changes in demographic assumptions	5,419	4,547



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

<ul style="list-style-type: none"> <li>Actuarial gains and (losses) arising on changes in financial assumptions</li> <li>Other</li> </ul>	291,736	52,729
	(36,244)	(1,307)
Past service cost	(73)	(6)
Benefits paid	17,159	16,320
<b>Closing balance at 31 March</b>	<b>(518,942)</b>	<b>(737,116)</b>

Local Government Pension Scheme assets comprised:

Asset Category	31-Mar-23				31-Mar-22			
	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	%
<b>Equity Securities:</b>								
Consumer	30,395	84	30,479	4	32,142	30	32,172	5
Manufacturing	36,907	977	37,884	6	30,158	104	30,262	4
Energy and Utilities	3,401	-	3,401	1	7,093	54	7,147	1
Financial Institutions	14,413	51	14,464	2	18,847	66	18,913	3
Health and Care	24,127	40	24,167	4	22,877	72	22,949	3
Information Technology	23,429	66	23,495	3	39,878	-	39,878	6
Other	-	-	-	-	-	-	-	-
<b>Debt Securities</b>								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Private Equity:-</b>								
All	-	166,990	166,990	25	-	134,442	134,442	20
<b>Real Estate:442</b>								
UK Property	-	56,017	56,017	8	-	57,917	57,917	8
Overseas Property	-	-	-	-	-	-	-	-
<b>Investment funds and unit trusts:</b>								
Equities	2,927	222,223	225,150	33	3,810	250,487	254,297	37
Bonds	-	78,353	78,353	11	-	69,362	69,362	10
Hedge Funds	-	-	-	-	-	-	-	-
Commodities	-	265	265	-	-	236	236	-
Infrastructure	-	4,363	4,363	1	-	603	603	-
Other	-	1,508	1,508	-	-	1,106	1,106	-
<b>Derivative:</b>								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	(1)	(1)	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>Cash and cash equivalents</b>								
All	9,397	3,474	12,871	2	17,243	232	17,475	3
<b>Totals</b>	<b>144,996</b>	<b>534,410</b>	<b>679,406</b>	<b>100</b>	<b>172,048</b>	<b>514,711</b>	<b>686,759</b>	<b>100</b>



## 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:-

	<b>Local Government Pension Scheme</b>	
	<b>2022/23</b>	<b>2021/22</b>
Investment returns	(1.6%)	7.7%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
• Men	19.3 years	19.6 years
• Women	22.2 years	22.4 years
Longevity at 65 for future pensioners:		
• Men	20.5 years	21.0 years
• Women	24.2 years	24.5 years
Rate of increase in salaries	3.65%	3.90%
Rate of increase in pensions	2.95%	3.20%
Rate for discounting scheme liabilities	4.75%	2.70%

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.

<b>Change in assumptions at 31 March 2023:</b>	<b>Approximate % increase to Employer Liability</b>	<b>Approximate monetary amount £000</b>
0.1% decrease in Real Discount Rate	2%	9,626
0.1% increase in the Salary Increase Rate	-	1,153
0.1% increase in the Pension Increase Rate	2%	8,610

### 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 2024 is £14.708 million.

The weighted average duration of the defined benefit obligation for scheme members is 19.0 years (19.0 years 2021/22).

### **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. CONTINGENT ASSET**

The Council in conjunction with KPMG, is seeking to recover historic Output VAT paid to HMRC for Leisure Services. Following litigation, which the Council's claims have stood behind, HMRC have updated their guidance <https://www.gov.uk/government/publications/revenue-and-customs-brief-3-2023-changes-to-vat-treatment-of-local-authority-leisure-services/changes-to-vat-treatment-of-local-authority-leisure-services> which now allows local authorities to treat Leisure Services as a Non-business activity. HMRC are currently assessing the Council's outstanding claims.

### **42. 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



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

- 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.

### **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 2022/23 including the prudential indicators was approved by Council on 3 March 2022 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2022/23 was set at £318.229m This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £286.988m. 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 regularly.



## Notes to the Accounts (cont'd)

### Credit Risk

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

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

The credit criteria in respect of financial assets held by the Council are detailed below:

The Council uses the creditworthiness service provided by Link Asset Services. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies – Fitch, Moody's and Standard and Poor's, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- Credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- Credit ratings, as follows:-

Financial Asset Category	Criteria	Fitch	Moody's
Deposits with Bank and Money Market Funds	Short Term:	F1	P-1 / P-2
	Long Term:	A-	A3

The Council's [Capital Investment Strategy for 2022/23](https://www.eastrenfrewshire.gov.uk/media/7406/Council-Item-12-03-March-2022/pdf/Council_Item_12_-_03_March_2022.pdf?m=637813801444530000) was approved by Council on 3 March 2022 [https://www.eastrenfrewshire.gov.uk/media/7406/Council-Item-12-03-March-2022/pdf/Council\\_Item\\_12\\_-\\_03\\_March\\_2022.pdf?m=637813801444530000](https://www.eastrenfrewshire.gov.uk/media/7406/Council-Item-12-03-March-2022/pdf/Council_Item_12_-_03_March_2022.pdf?m=637813801444530000)

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 2023 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 £798 (2021/22 £3,023) during the year, the Council did not write off any financial assets.

**Notes to the Accounts (cont'd)****Credit Risk Exposure**

The Council has the following exposure to risk at 31 March 2023.

£000s	Credit Risk rating	Gross Carrying Amount (£)	Exposure to Credit Risk (£)
12-month expected credit losses	AAA	20,290,000	-
	AA-	28,000,000	-
	A+	10,000,000	656
	A	10,000,000	142
Simplified approach (trade receivables excluding statutory debtors - Council Tax and Non-Domestic Rates)	Less than 3 months and past due date	379,000	-
	Three to five months	244,000	-
	Six months to one year	499,000	-
	More than one year	1,290,000	-

The Council does not generally allow credit for customers, such that as at 31 March 2023 £2.412m of the £3.063m (£2.532m of £3.646m as at 31 March 2022) 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 2023 £000	31 March 2022 £000
<b>Less than one year</b>	377	828
<b>Between one and two years</b>	16	377
<b>Between two and five years</b>	5,033	32
<b>More than five years</b>	122,590	117,606
	128,016	118,843

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



## Notes to the Accounts (cont'd)

### Market Risk

#### Interest Rate Risk

The 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)
- 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:

	<b>£000</b>
Increase in interest payable on variable rate borrowings	142
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	(222)
Impact on Surplus or Deficit on the Provision of Services	(80)
Share of overall impact debited to the HRA	(25)
Decrease in fair value of fixed rate investment assets	487
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)	12,891

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.

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

**43. PRIOR YEAR RESTATEMENTS**

In 2021/22 a number of Property, Plant and Equipment assets were valued at an NBV of £115,790k (other land and buildings) and £101,684k (PPP assets) in note 15 to the financial statements. Following full revaluations of these assets in 2022/23, the Council has determined that a material amount of the revaluation surplus would have been more appropriately recognised at 31 March 2022. The prior year balances for these assets have therefore been restated to reflect corrected values of £138,539k (other land and buildings) and £151,646 (PPP assets) at 31 March 2022, with the resulting prior period revaluation increases being reflected in increases in the Revaluation Reserve, Capital Adjustment Account and the Comprehensive Income & Expenditure Statement

The impact of this adjustment on the 21/22 financial statements is –

	<b>2021/22 Audited Accounts £000</b>	<b>Adjustment £000</b>	<b>2021/22 Restated Accounts £000</b>
<b>Balance Sheet</b>			
Property, Plant & Equipment	767,359	72,711	840,070
Revaluation Reserve	(192,429)	(68,912)	(261,341)
Capital Adjustment Account	(367,451)	(3,799)	(371,250)
<b>Comprehensive Income &amp; Expenditure Statement</b>			
Education (Gross Expenditure) (Surplus) or deficit on revaluation of Property, Plant and Equipment assets	172,704	(3,799)	168,905
Impairment losses on non- current assets charged to the Revaluation Reserve	(29,121)	(70,031)	(99,152)
	1,513	1,119	2,632

The Movement in Reserves Statement has also been impacted by the above changes resulting in a net increase in the Unusable reserves of £72,711

In 2021/22, the Council utilised the statutory override made available by the Scottish Government in respect of the disclosure requirements for infrastructure assets, as outlined in note 15. In 2022/23, the Council recognised that £23,365k of infrastructure assets were disclosed within the PPP section of the PPE note, and so were disclosed without the adjustments required per the statutory override. In 2022/23 these infrastructure assets, and the prior year equivalents, have been presented within infrastructure assets column with the correct disclosure changes applied.



## **Housing Revenue Account Income & 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	2022/23 £000	2021/22 £000
<b>Income</b>			
Dwelling Rents		(12,790)	(12,334)
Non-dwelling Rents		(189)	(212)
Other Income		(1,045)	(869)
<b>Total Income</b>		<b>(14,024)</b>	<b>(13,415)</b>
<b>Expenditure</b>			
Repairs and Maintenance		5,898	5,776
Supervision and Management		4,786	4,589
Depreciation and Impairment on Non-Current Assets		5,258	7,001
Difference between Fair Value and Historical Cost Depreciation		3,219	2,706
Movements in the Impairment of Debtors	4	(68)	(18)
Other expenditure		176	297
<b>Total Expenditure</b>		<b>19,269</b>	<b>20,351</b>
<b>Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>5,245</b>	<b>6,936</b>
HRA Services' Share of Corporate and Democratic Core		38	44
<b>Net Cost for HRA Services</b>		<b>5,283</b>	<b>6,980</b>
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:			
• (Gain) or Loss on Sale of HRA Non-Current Assets		66	-
• Interest Payable and Similar Charges		1,447	1,364
• Interest and Investment Income		(26)	(2)
• Pension Interest Cost and Expected Return on Pension Assets		79	118
• Rental Income – operating lease over Property, Plant and Equipment		(201)	(200)
• Capital Grants and Contributions Receivable		(3,350)	(5,779)
<b>(Surplus) or Deficit for the Year on HRA Services</b>		<b>3,298</b>	<b>2,481</b>

### **Movement on the Housing Revenue Account Statement**

	HRA Notes	2022/23 £000	2021/22 £000
(Surplus) or Deficit for the Year on HRA Income and Expenditure Statement		3,298	2,481
Adjustments between Accounting Basis and Funding Basis Under Statute	1	(3,229)	(2,127)
Net (Increase) or Decrease Before Transfers to or from Reserves		69	354
(Increase) or Decrease in Year on the HRA		69	354
Balance on the HRA at the end of the Previous Year		(1,867)	(2,221)
<b>Balance on the HRA at the end of the Current Year</b>		<b>(1,798)</b>	<b>(1,867)</b>



## Notes to the Housing Revenue Account

### Housing Revenue Account Disclosures

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

	2022/23 £000	2021/22 £000
Gain or loss on sale of HRA non-current assets	(66)	-
Capital expenditure funded by the HRA	3	-
Transfer (to)/from the Capital Adjustment Account:		
• Depreciation	(5,258)	(7,001)
• Difference between Fair Value and Historical cost depreciation	(3,219)	(2,706)
• Capital Grants and Contributions	3,350	5,779
• Repayment of Debt	2,967	2,834
HRA share of contributions to or from the Pensions Reserve	(1,005)	(1,056)
Transfer to/from the Statutory Compensated Absences Account	(1)	23
	<u>(3,229)</u>	<u>(2,127)</u>

#### 2. Housing Stock

Council's housing stock at 31 March 2023 was 3,125 (3,061 at March 2022) in the following categories:

	2022/23 Number	2021/22 Number
1 Apartment	172	172
2 Apartment	968	952
3 Apartment	1,301	1,296
4 Apartment	595	559
5 Apartment	85	78
6 Apartment	4	4
<b>Total</b>	<u>3,125</u>	<u>3,061</u>

#### 3. Rent Arrears

At the year-end rent arrears amounted to £1,485,795 (2021/22: £1,378,533) of which the current rent arrears were £850,284 (2021/22: £906,860) representing 6.0% (2021/22: 6.7%) of gross rent due and former tenant arrears amounted to £635,511 (2021/22: £471,673). In addition, the figure contains £25,085 (2021/22: £58,821) in respect of outstanding Housing Benefit Overpayments.

#### 4. Impairment of Debtors

In the financial year 2022/23, the impairment of debtors for the Housing Revenue Account was decreased by £67,952, resulting in a bad debt provision balance of £1,227,875 (2021/22: £1,295,827).

#### 5. Void Rents

The loss of rental income recoverable from houses that were not let during the year totalled £219,200 (2021/22: £262,062).





## National Non Domestic Rates Account

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".

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Gross rates levied and the contributions in lieu	20,163	20,333
Less:		
• Reliefs and other deductions	(6,079)	(9,807)
• Payments of interest	-	-
• Write-offs of uncollectable debts and allowance for impairment	(328)	(21)
<b>Net Non-Domestic Rate Income collected</b>	<b>13,756</b>	<b>10,505</b>
Collection adjustment to meet Provisional Contribution Amount	655	(207)
<b>Contribution to Non Domestic Rate pool</b>	<b>14,411</b>	<b>10,298</b>
Distribution from Non Domestic Rate pool	9,574	7,234
Adjustments for years prior to the pool	-	-
Non-Domestic Rate income retained by Council (BRIS)	-	-
<b>Income credited to the Comprehensive Income and Expenditure Statement (as per Note 14)</b>	<b>9,574</b>	<b>7,234</b>

### Net Rateable Value Calculation

The amount paid for NNDR is determined by the rateable value placed on the property by the Assessor multiplied by the rate per £, which is determined each year by the Scottish Government. The NNDR poundage rate set by the Scottish Government for 2022/23 was £0.498 (2021/22 £0.49)

	<b>Number</b>	<b>Rateable Value as at 1 April 2022 £</b>
Shops	606	15,154,850
Offices	353	3,569,160
Hotels, Boarding Houses etc.	16	585,000
Industrial and Freight Transport	156	1,428,420
Subject Miscellaneous	433	17,895,539
Subjects Other	253	2,802,220
<b>Total</b>	<b>1,817</b>	<b>41,435,189</b>



## Council Tax Income Account

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.

	<b>2022/23</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Gross Council Tax levied and contributions in lieu	70,864	67,516
Adjustments for prior years Council Tax	(129)	(371)
Adjusted for:		
• Council Tax Reduction Scheme	(4,199)	(4,063)
• Council Tax Benefits (Net of Government Grants)	-	-
• Other discounts and reductions	(7,232)	(6,747)
• Uncollectable debt and allowance for impairment	(693)	(1,969)
<b>Net Council Tax Income included in the Comprehensive Income and Expenditure Account (as per Note 14)</b>	<b>58,611</b>	<b>54,366</b>

### Calculation of the council tax

Dwellings are valued by the Assessor and placed within valuation bands ranging from the lowest “A” to the highest “H”. The council tax base is the number of chargeable dwellings across all valuation bands (adjusted for dwellings where discounts apply), after providing for non-payment, expressed as an equivalent number of band D dwellings. The band D council tax charge is calculated using the council tax base, and this in turn fixes the charge for each of the other bands that are based on pre-determined proportions relative to the band D charge. The band D charge for 2022/23 was £1,335.11 (2021/22: £1,289.96).

A discount of 25% on the council tax is made where there are fewer than two residents in a property and 50% for properties that are empty for less than 6 months. 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 Income Account (cont'd)****Calculation of the Council Tax Base 2022/23\***

	No. of Dwellings	No. of Exemptions	Disabled Relief	Discount 10%	Discounts 25%	Discounts 50%	Total Dwellings	Ratio to Band D	Band D Equivalents
BAND A	1,338	(134)	17	(2)	(185)	(11)	1,024	240/360	683
BAND B	5,257	(250)	-	(2)	(638)	(16)	4,351	280/360	3,384
BAND C	4,128	(153)	7	(4)	(450)	(25)	3,503	320/360	3,114
BAND D	6,900	(170)	45	(4)	(669)	(31)	6,071	1	6,071
BAND E	8,548	(124)	(12)	(3)	(582)	(27)	7,800	473/360	10,248
BAND F	6,746	(91)	(10)	(3)	(343)	(23)	6,278	585/360	10,201
BAND G	6,991	(68)	(41)	(3)	(295)	(21)	6,564	705/360	12,854
BAND H	774	(3)	(6)	(1)	(21)	(3)	741	882/360	1,816
								<b>TOTAL</b>	<b>48,371</b>
								Provision for non-collection (2%)	967
								Council Tax Base	47,404

\*Source: Renfrewshire Valuation Joint Board return as at 31 March 2023  
(Please note, the sum of the individual items may not equal the totals shown due to rounding)

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 2022/23 was £1,335.11

BAND A	£890.07	BAND E	£1,754.19
BAND B	£1,038.42	BAND F	£2,169.55
BAND C	£1,186.76	BAND G	£2,614.59
BAND D	£1,335.11	BAND H	£3,271.02

**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 2023**

	<b>2022/23 Unusable Reserve £000</b>	<b>2021/22 Unusable Reserve £000</b>
<b>Balance at 1 April</b>	<b>(2,449)</b>	<b>(1,713)</b>
Deficit / (surplus) on the provision of services	578	(707)
Other comprehensive income and expenditure	(212)	(29)
<b>Balance at 31 March</b>	<b>(2,083)</b>	<b>(2,449)</b>

**Comprehensive Income and Expenditure Statement for the year ending 31 March 2023**

	<b>Expenditure £000</b>	<b>2022/23 Income £000</b>	<b>Net £000</b>	<b>Expenditure £000</b>	<b>2021/22 Income £000</b>	<b>Net £000</b>
Net costs of services	578	-	578	(707)	-	(707)
<b>(Surplus) or deficit</b>			<b>578</b>			<b>(707)</b>
(Surplus) / deficit on revaluation of fixed assets			(212)			(29)
<b>Total Comprehensive (Income) and Expenditure</b>			<b>366</b>			<b>(736)</b>

**Balance Sheet**

	<b>2022/23 £000</b>	<b>2021/22 £000</b>
Property, Plant and Equipment	2,083	2,449
<b>Net Assets</b>	<b>2,083</b>	<b>2,449</b>
Unusable Reserve:		
Revaluation Reserve	(838)	(695)
Capital Adjustment Account	(1,245)	(1,754)
<b>Net Reserves</b>	<b>(2,083)</b>	<b>(2,449)</b>

**Common Good Fund (cont'd)****PROPERTY, PLANT & EQUIPMENT****Movement on Balances (Common Good)**

	<b>Land and Buildings 2022/23 £000</b>	<b>Land and Buildings 2021/22 £000</b>
Cost or Valuation at 1 April	2,536	1,833
Additions	319	885
Donations	-	-
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(14)	(50)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(758)	(132)
Derecognition – disposals	-	-
Derecognition – other	-	-
Assets reclassified (to)/from Held for Sale	-	-
Other movements in cost or valuation	-	-
<b>As at 31 March</b>	<b>2,083</b>	<b>2,536</b>
Accumulated Depreciation and Impairment at 1 April	(87)	(120)
Depreciation charge	(168)	(158)
Depreciation written out on disposal	-	-
Depreciation written out on Revaluation Reserve	226	79
Depreciation written out on Surplus/Deficit on the provision of Services	29	112
Derecognition – other (transfers)	-	-
<b>As at 31 March</b>	<b>-</b>	<b>(87)</b>
<b>Net Book Value at 31 March 2023</b>	<b>2,083</b>	
<b>Net Book Value at 31 March 2022</b>	<b>2,449</b>	<b>2,449</b>
<b>Net Book Value at 31 March 2021</b>		<b>1,713</b>

**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 2022

Year ended 31 March 2023

Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
<b>RESTATED</b>		<b>RESTATED</b>				
164,339	(16,501)	147,838	Education	176,632	(18,787)	157,845
151,470	(92,587)	58,883	HSCP – Provision of Services	149,921	(82,011)	67,910
41,098	(11,748)	29,350	Environment	47,775	(11,311)	36,464
21,673	(14,300)	7,373	Business Operations & Partnerships	23,025	(14,299)	8,726
430	(250)	180	Chief Executive's Office	561	(273)	288
5,111	(31)	5,080	Other Expenditure & Income	6,434	(109)	6,325
3,624	(279)	3,345	Support Services – Chief Executive's Office	3,662	(248)	3,414
15,391	(810)	14,581	Support Services – Business Operations & P'ships	13,441	(283)	13,158
2,821	(247)	2,574	Support Services – Environment	2,030	(555)	1,475
10,765	(4,872)	5,893	Share of operating results of subsidiaries:-			
(707)	-	(707)	ERC Leisure Trust	11,686	(4,169)	7,517
10	(9)	1	Common Good	578	-	578
			Trust Funds	9	-	9
<b>416,025</b>	<b>(141,634)</b>	<b>274,391</b>	<b>Net Cost of General Fund Services</b>	<b>435,754</b>	<b>(132,045)</b>	<b>303,709</b>
20,351	(13,415)	6,936	HRA	19,269	(14,024)	5,245
<b>436,376</b>	<b>(155,049)</b>	<b>281,327</b>	<b>Cost of Services</b>	<b>455,023</b>	<b>(146,069)</b>	<b>308,954</b>
		229	Other operating expenditure			(490)
		12,471	Financing and investment income and expenditure			9,561
		(277,410)	Taxation and non-specific grant income			(288,825)
		<b>16,617</b>	<b>(Surplus) / Deficit on Provision of Services</b>			<b>29,200</b>
		(279)	Share of operating results of associates			(6)
		(5,134)	Share of operating results of joint venture			7,353
		<b>11,204</b>	<b>Group (Surplus) / Deficit (Note 1 Group)</b>			<b>36,547</b>
		(96,549)	(Surplus) / Deficit on revaluation of fixed assets			(77,575)
		(98,169)	Actuarial (gains)/losses on pension assets/liabilities			(73,165)
		(1,960)	Share of other comprehensive expenditure and income of associates and joint venture			(662)
		<b>(196,678)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>(151,402)</b>
		<b>(185,474)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>(114,855)</b>



# 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
<b>Balance at 31 March 2022 carried forward</b>	(11,772)	(34,417)	(1,867)	(2,628)	(3,647)	(1,903)	(2,671)	(58,905)	(573,298)	(19,293)	(15,808)	(667,304)
<b>Movement in reserves during 2022/23</b>												
Total Comprehensive (Income) and Expenditure	23,910	-	3,298	-	-	-	-	27,208	(147,235)	9,339	(4,167)	(114,855)
Adjustments between accounting basis & funding basis under regulations	(29,730)	-	(3,229)	2,628	-	-	(2,443)	(32,774)	32,774	(3,543)	3,543	-
<b>(Increase)/Decrease in 2022/23</b>	<b>(5,820)</b>	<b>-</b>	<b>69</b>	<b>2,628</b>	<b>-</b>	<b>-</b>	<b>(2,443)</b>	<b>(5,566)</b>	<b>(114,461)</b>	<b>5,796</b>	<b>(624)</b>	<b>(114,855)</b>
<b>Net transfer to or from Reserves</b>	<b>10,934</b>	<b>(11,039)</b>	<b>-</b>	<b>-</b>	<b>436</b>	<b>(43)</b>	<b>(288)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2023 carried forward</b>	<b>(6,658)</b>	<b>(45,456)</b>	<b>(1,798)</b>	<b>-</b>	<b>(3,211)</b>	<b>(1,946)</b>	<b>(5,402)</b>	<b>(64,471)</b>	<b>(687,759)</b>	<b>(13,497)</b>	<b>(16,432)</b>	<b>(782,159)</b>
<b>RESTATED</b>												
	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
<b>Balance at 31 March 2021 carried forward</b>	(11,670)	(35,594)	(2,221)	(1,920)	(4,236)	(1,969)	(2,668)	(60,278)	(399,511)	(14,935)	(7,106)	(481,830)
<b>Movement in reserves during 2021/22</b>												
Total Comprehensive (Income) and Expenditure	13,802	-	2,481	-	-	-	-	16,283	(188,697)	(5,079)	(7,981)	(185,474)
Adjustments between accounting basis & funding basis under regulations	(13,014)	-	(2,127)	-	-	-	231	(14,910)	14,910	721	(721)	-
<b>(Increase)/Decrease in 2021/22</b>	<b>788</b>	<b>-</b>	<b>354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>231</b>	<b>1,373</b>	<b>(173,787)</b>	<b>(4,358)</b>	<b>(8,702)</b>	<b>(185,474)</b>
<b>Net transfer to or from Reserves</b>	<b>(890)</b>	<b>1,177</b>	<b>-</b>	<b>(708)</b>	<b>589</b>	<b>66</b>	<b>(234)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 31 March 2022 carried forward</b>	<b>(11,772)</b>	<b>(34,417)</b>	<b>(1,867)</b>	<b>(2,628)</b>	<b>(3,647)</b>	<b>(1,903)</b>	<b>(2,671)</b>	<b>(58,905)</b>	<b>(573,298)</b>	<b>(19,293)</b>	<b>(15,808)</b>	<b>(667,304)</b>



## 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 2022 £000 RESTATE		31 March 2023 £000
842,622	Property, Plant & Equipment	936,780
260	Heritage Assets	285
118	Intangible Assets	140
31,193	Long-term Investments and/or Investments in Associates and Joint Venture	23,362
250	Investments	247
110	Asset in Associates and Joint Ventures	1,256
-	Defined Benefit Asset	16,221
<b>874,553</b>	<b>Long Term Assets</b>	<b>978,291</b>
-	Assets Held for Sale	-
481	Short Term Intangible Assets	481
617	Inventories	604
30,779	Short Term Debtors	25,385
13,998	Short Term Investments	4,999
66,179	Cash and Cash Equivalents	65,750
<b>112,054</b>	<b>Current Assets</b>	<b>97,219</b>
(828)	Short Term Borrowing	(377)
(5,211)	Finance Leases including PFI/PPP	(5,368)
(61,512)	Short Term Creditors	(65,452)
(617)	Provisions	(640)
<b>(68,168)</b>	<b>Current Liabilities</b>	<b>(71,837)</b>
(167)	Provisions – long term	(166)
(118,015)	Long Term Borrowing	(127,639)
(43)	Long Term Creditors	(5)
(73,500)	PFI/PPP Finance Lease	(68,132)
(52,083)	Defined Benefit Liability	(17,398)
(7,327)	Capital Grant Receipts in Advance	(8,174)
<b>(251,135)</b>	<b>Long Term Liabilities</b>	<b>(221,514)</b>
<b>667,304</b>	<b>Net Assets</b>	<b>782,159</b>
(78,198)	Usable Reserves	(77,968)
(589,106)	Unusable Reserves	(704,191)
<b>(667,304)</b>	<b>Total Reserves</b>	<b>(782,159)</b>

Margaret McCrossan CPFA  
Head of Accountancy (Chief Financial Officer)

The unaudited financial statements were issued on 13 June 2023 and the audited financial statements were authorised for issue by the Head of Accountancy on 26 September 2023





## **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.

<b>2021/22</b>		<b>2022/23</b>
<b>£000</b>		<b>£000</b>
<b>RESTATED</b>		
11,204	Net Group (surplus) or deficit on the provision of services	36,547
(37,274)	Group adjustments to net surplus or deficit on the provision of services for non-cash movements	(43,359)
-	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	-
(26,070)	Net cash flows from Operating Activities	(6,812)
16,330	Investing Activities	20,205
6,461	Financing Activities	(12,964)
(3,279)	Net (increase) or decrease in cash and cash equivalents	429
(62,900)	Cash and cash equivalents at the beginning of the reporting period	(66,179)
<b>(66,179)</b>	<b>Cash and cash equivalents at the end of the reporting period (Including Bank overdraft)</b>	<b>(65,750)</b>

**Notes to the Group Accounts****1. RECONCILIATION OF EAST RENFREWSHIRE COUNCIL'S SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT**

**PURPOSE** This statement shows how the (surplus)/deficit on the Council's single entity Income and Expenditure Account for the year reconciles to the (surplus)/deficit for the year on the Group Accounts.

	<b>2022/23 £000</b>	<b>2021/22 £000 RESTATED</b>
<b>(Surplus)/Deficit on East Renfrewshire Council's provision of services</b>	<b>27,208</b>	<b>16,283</b>
<b>(Surplus)/Deficit in year arising from subsidiaries included in Group Accounts:</b>		
Net expenditure/(income) on Trust Funds in year	1	1
Common Good	578	(707)
East Renfrewshire Culture and Leisure Trust	1,413	1,040
<b>(Surplus)/Deficit in year arising from associates included in the Group Accounts:</b>		
• Strathclyde Partnership for Transport	(17)	(303)
• Strathclyde Concessionary Travel Scheme Joint Committee	(19)	(51)
• Renfrewshire Valuation Board	30	75
<b>(Surplus)/Deficit in year arising from a joint venture included in the Group Account:</b>		
East Renfrewshire Integration Joint Board	7,353	(5,134)
<b>GROUP ACCOUNT (SURPLUS)/DEFICIT FOR THE YEAR ON PROVISION OF SERVICES</b>	<b>36,547</b>	<b>11,204</b>



## **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 assets of the company were £2.89m at 31 March 2023. The gain/ (loss) on ordinary activities before and after taxation for the year to 31 March 2023 (£1.413m) (2021/22 (£1.040m)).

The accounts are subject to independent audit and are available from 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**

This is the statutory body responsible for formulating the public transport policy for the 12 local authorities in the West of Scotland. The Council contributed £1.53m or 4.29% to the Council's running costs during 2022/23 and accounted for £20.115m (2021/22 £20.612m) 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**

This 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 2022/23 the Council contributed £0.181m or 4.46% to the annual running costs and accounted for £0.224m (2021/22 £0.205m) 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**

This 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 £0.580m or 20.48% to the organisation's revenue costs and its share of the year-end net asset of £1.256m (2021/22 £0.110m net liability) 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 2022/23 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 2022/23 the Council contributed £82.246m or 40.32% to the annual running costs and accounted for £3.023m (2021/22 £10.376m) 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 £29.929m, representing the Council's net share of the net assets in these entities.

	<b>2022/23</b> <b>£000</b>	<b>2021/22</b> <b>£000</b> <b>RESTATED</b>
<b>Surplus/(Deficit) on East Renfrewshire Council's net assets</b>	<b>752,230</b>	<b>632,203</b>
<b>Surplus/(Deficit) in year net assets from subsidiaries included in Group Accounts:</b>		
Trust Funds in year	338	339
Common Good	2,083	2,449
East Renfrewshire Culture and Leisure Trust	2,890	1,010
<b>Surplus/(Deficit) in year net assets from associates included in the Group Accounts:</b>		
• Strathclyde Partnership for Transport	20,115	20,612
• Strathclyde Concessionary Travel Scheme Joint Committee	224	205
• Renfrewshire Valuation Board	1,256	110
<b>Surplus/(Deficit) in year net assets from a joint venture included in the Group Account:</b>		
East Renfrewshire Integration Joint Board	3,023	10,376
<b>GROUP ACCOUNT SURPLUS/(DEFICIT) FOR THE YEAR ON NET ASSETS</b>	<b>782,159</b>	<b>667,304</b>

**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 asset, this asset is after accounting for a pension liability. 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. The Talented Children and Young People Trust was wound up as at 31 March 2023.

Charity Number		Balance 31.03.22 £	Expenditure £	Income £	Balance 31.03.23 £
SCO05976	Duff Memorial Fund	7,530	7,530	274	274
SCO16641	Newton Mearns Benevolent Fund	2,135	95	87	2,127
SCO19475	Janet Hamilton Fund	11,502	267	1,183	12,418
SCO19474	John Pattison Memorial	53	52	219	220
SCO19473	Hugh & Janet Martin Fund	972	50	376	1,298
SCO37293	Netherlee School 1937	3,948	-	427	4,375
SCO37925	Talented Children & Young People	22	35	13	-
<b>CHARITABLE REVENUE BALANCES</b>		<b>26,162</b>	<b>8,029</b>	<b>2,579</b>	<b>20,712</b>
	Thornliebank War Memorial Fund	706	-	17	723
	Anderson Bequest	4	-	24	28
	Cathcart Cemetery Fund	6,342	-	207	6,549
	Crum Memorial	76	-	26	102
	McNiven Prize	944	-	44	988
	Rev Denis Reen	2,239	-	95	2,334
	James Cowan Bequest	403	-	19	422
	Cowan Park Cropping Fund	27	-	10	37
	Annie Tyson Trust Fund	47,759	488	4,613	51,884
	Rita Donnelly Memorial Prize	20	-	-	20
<b>OTHER TRUST FUND REVENUE BALANCES</b>		<b>58,520</b>	<b>488</b>	<b>5,055</b>	<b>63,087</b>

		Capital Value of Fund		
		31.03.23 £	31.03.22 £	
<b>The Principal Funds</b>	Duff Memorial Fund	For the upkeep of Duff Memorial Hall	4,646	4,646
	Janet Hamilton Fund	Assisting the sick requiring nursing or hospital treatment	40,131	40,131
	John Pattison Memorial	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
	Other – Charitable		1,500	1,500
<b>CHARITABLE TOTAL RESERVES</b>			<b>86,508</b>	<b>87,063</b>
	Annie Tyson Trust Fund	Assisting with special needs training	157,306	157,306
	Other Trust Funds		10,256	10,256
<b>OTHER TRUST FUND TOTAL RESERVES</b>			<b>167,562</b>	<b>167,562</b>

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

		2022/23	2021/22
		£	£
<b>Balance Sheet</b> <b>– Charitable</b>	Fund balances	107,220	113,225
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>107,220</b>	<b>113,225</b>
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	107,220	113,225
	<b>TOTAL ASSETS</b>	<b>107,220</b>	<b>113,225</b>
		2022/23	2021/22
		£	£
<b>Balance Sheet</b> <b>– Other Trust Funds</b>	Fund balances	230,649	226,082
	Creditors	-	-
	<b>TOTAL LIABILITIES</b>	<b>230,649</b>	<b>226,082</b>
	Investments	-	-
	Debtors	-	-
	Due by Loans Fund	230,649	226,082
	<b>TOTAL ASSETS</b>	<b>230,649</b>	<b>226,082</b>

**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 £78,587 (2021/22, £76,300) representing 2% (2021/22, 2%) of the organisation's estimated running costs for the year to 31 March 2023.
- The **Glasgow and the Clyde Valley Strategic Development Planning Authority** Joint Committee covers the eight councils within its area. Under the Town and Country Planning (Scotland) Act 1997, each member Council not only has responsibilities for local planning matters in its area but also the strategic issues that cover the wider area of the Glasgow & Clyde Valley. Accordingly, the committee prepares, monitors and reviews the Strategic Development Plan on behalf of member councils and liaises with Central Government, Scottish Enterprise and other bodies. During the year, the Council contributed £68,375 (£2021/22 £52,537) representing 12.5% (2021/22, 12.5%) of the Committee's estimated running costs for the year to 31 March 2023.
- **Continuing Education Gateway** is a consortium of 11 local authorities in the West of Scotland. It was formed in April 2000 to further the provision of careers and education guidance services. During the year, the Council made a contribution of £16,400 (2021/22, £16,400) representing 4.20% (2021/22 4.20%) of the consortium's estimated running costs for the year to 31 March 2023.



## **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 (2021/22, £7,619) representing 4.47% (2021/22 4.78%) of the Committee's estimated running costs for the year to 31 March 2023.
- The **West of Scotland European Forum** was set up in 2007 as a Joint Committee and consists mainly of 12 local authorities. Its purpose is to develop positive links between the communities of the region and institutions of the European Union. In this task it follows on from the work previously undertaken by the West of Scotland European Consortium (WOSSEC). As this forum will no longer be in operation beyond 2022/23 there were no contributions made by any of the member authorities during the year.
- The **Glasgow City Region 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 £70,336 (2021/22, £67,044) representing 5.22% (2021/22 5.2%) of the organisation's running costs for the year to March 2023.
- 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 £137,431 (2021/22, £124,473) representing 2.51% (2021/22 2.51%) of the organisation's running costs for the year to 31 March 2023.





## **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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# East Renfrewshire Council

**Annual Audit Report  
Year Ended 31 March 2023**

Provisional

26 September 2023

This report has been prepared in accordance with Terms of Appointment Letter, through which Audit Scotland and the Accounts Commission have appointed us as external auditor East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Audit Scotland and the Accounts Commission (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

### **Accessibility**



Our report will be available on Audit Scotland's website and we have therefore taken steps to comply with the Public Sector Bodies Accessibility Regulations 2018.

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4. Best Value and Wider Scope Audit	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the Council's: <ul style="list-style-type: none"> <li>▶ Arrangements to secure sound financial management;</li> <li>▶ The regard shown to financial sustainability;</li> <li>▶ Clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery; and</li> <li>▶ The use of resources to improve outcomes.</li> </ul> Best Value audit work is integrated with wider scope annual audit work.	27
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# 1. Key messages

## Financial statements

 <p><b>Financial statements</b></p> <p>Our assessment: <b>Green</b></p>	<p>We have concluded our audit of the financial statements of East Renfrewshire Council for the year ended 31 March 2023. The draft financial statements were provided in line with legislative deadlines. Supporting working papers were generally of a good quality but we identified areas for improvement, in particular in relation to property, plant and equipment valuation supporting papers. During the course of the audit, we identified 8 audit differences and 3 prior year adjustments that management adjusted in the financial statements.</p> <p>Overall, we were satisfied that the Annual Governance Statement, reflects the requirements of CIPFA's updated <i>Delivering Good Governance Framework</i>.</p> <p>We made 2 recommendations in relation to the financial statements, both relating to the Council's arrangements for the annual valuation of property, plant and equipment. We have also highlighted our observations on areas for potential improvement in the financial statements going forward to management.</p>
 <p><b>Going concern</b></p> <p>Our assessment: <b>Green</b></p>	<p>In accordance with the CIPFA Code of Practice on Local Government Accounting, the Council prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.</p> <p>Under auditing standard ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The Council has concluded that there are no material uncertainties around its going concern status, however it has disclosed the nature of its financial position in the financial statements to reflect the ongoing impact of recovery from the Covid-19 pandemic, increased demand for services and inflationary pressures.</p> <p>We have no matters to report in respect of our work around going concern or the conclusions reached by the Council.</p>

Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area. This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council, as well as control and process observations made through our audit work.





**Financial sustainability**

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

Our assessment: Red

As part of its medium term financial scenario planning, the Council has identified significant budget gaps in the medium term, with an average savings gap of around £7.6 million forecast for each of the next 5 years but significant uncertainties remain.

Financial flexibilities have allowed the Council to establish a service concessions reserve to support the delivery of savings but there is a need to formally agree an updated medium term financial plan that demonstrates how Council priorities will be achieved.



**Financial management**

Financial management means having sound budgetary processes. Audited bodies require the ability to understand the financial environment and whether internal controls are operating effectively.

Our assessment: Amber

The Council recorded a surplus in 2022/23 of £11.1 million, reflecting an underspend of £5.6 million against service delivery and movements in earmarked reserves, including the use of financial flexibilities to create a new service concessions reserves of £14.8 million. In 2022/23 the Council also elected to draw upon £5.25 million from General Reserves to balance the financial position.

We noted that the Council's Chief Auditor has drawn attention to two areas of non-compliance with contract standing orders.



**Vision, leadership & governance**

The effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Our assessment: Amber

The Council has recently approved the first step in updating its Vision for the Future and reports clearly on its contribution to deliver the strategic priorities within the Community Plan.

Governance arrangements are established and worked well throughout 2022/23. However, we note that the Council's internal audit team is insufficiently staffed to deliver the 2023/24 plan.



**Use of resources**

The Council's approach to demonstrating economy, efficiency, and effectiveness through the use of resources and reporting outcomes.

Our assessment: Green

The Council has a well-developed approach to monitor and report on key areas of performance, and was able to demonstrate areas of improvement in 2022/23 within both service performance and in responding to the Strategic Outcomes within the Community Plan.

The Council continues to monitor a range of strategic risks, including the impact of the financial position and ongoing threat of cyber attacks on the public sector. The Council has set a target to achieve net zero emissions by 2045 but acknowledges that the significant investment required is not currently affordable based on existing priorities.

## Best value

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. For 2022/23, the Commission directed auditors to report on the effectiveness of the leadership of the development of strategic priorities. Our key conclusions against the work programme set by the Commission are reported within a separate Best Value Thematic Report

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our thematic review concluded that there is a clear vision in place and that longer term strategic planning is based on extensive community engagement and is aligned with community planning partners.

Within the thematic review and our wider scope work we do, however, note that there is a need to further develop the Council's Medium Term Financial Plan, Capital Investment Strategy and Workforce Strategy to demonstrate how key priorities will be delivered, including initial climate ambitions.

## 2. Introduction

### Purpose of our report

The Accounts Commission for Scotland appointed EY as the external auditor of East Renfrewshire Council and its Group ('the Council' or 'the Group') for the five year period to 2026/27.

We undertake our audit in accordance with the Code of Audit Practice (June 2021); Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other relevant guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both the Council and the Accounts Commission, and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

A key objective of audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the Council employs best practice and where practices can be improved, and how risks facing the organisation can be mitigated. We use these insights to form audit recommendations to support the Council.

Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations made by prior year auditors (Appendix H).

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the Council. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

### Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

### Scope and responsibilities

The Code sets out the responsibilities of both the Council and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan which was presented to the Council's Audit and Risk Committee on 29 March 2023. There have been no material changes to the plan.

### Our review and assessment of materiality

In our Annual Audit Plan we communicated that our audit procedures would be performed using an overall materiality of £6.8 million. Exhibit 1 confirms that we have assessed that this level of materiality remains appropriate for the actual outturn for the 2022/23 financial year.

Performance materiality remains at 50% of overall materiality at £3.4 million.

## Financial Statements audit

We are responsible for conducting an audit of the Group and Council's financial statements. We provide an opinion as to:

- ▶ Whether they give a true and fair view, in accordance with applicable law and the 2022/23 Code of Accounting Practice, of the income and expenditure of the Council and its group for the year ended 31 March 2023.
- ▶ Have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2022/23 Code.
- ▶ Whether they 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.

We also review and report on the consistency of the other information prepared and published along with the financial statements.

We outlined the significant risks and other focus areas for the 2022/23 audit in our Annual Audit Plan, which was presented to the Audit and Scrutiny Committee on 29 March 2023. There have been no changes to our planned audit approach.

Four significant risks were identified that impacted the audit of the financial statements:

- ▶ The risk of fraud in revenue and expenditure recognition;
- ▶ Misstatement due to fraud or error;
- ▶ The valuation of property, plant and equipment; and
- ▶ The valuation of PPP/PFI liabilities.

In addition, we continued to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 3 of this report.

### Exhibit 1: Our materiality assessment in 2022/23

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £6.8 million. We have considered whether any change to our materiality was required in light of the income and expenditure in 2022/23 and concluded that no changes were required.



Based on our understanding of the expectations of financial statement users, we apply a lower materiality level to the audited section of the Remuneration Report. We also apply professional judgement to consider the materiality of Related Party Transactions to both parties.

## | Wider scope and best value

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the Council, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ The Council's arrangements to secure sound financial management.
- ▶ The regard shown to financial sustainability.
- ▶ Clarity of plans to implement the vision, strategy and priorities of the Council, and the effectiveness of governance arrangements for delivery.
- ▶ The use of resources to improve outcomes.

Our Annual Audit Plan identified three areas of audit focus in relation to wider scope audit:

- ▶ The Council's ability to develop sustainable and achievable medium term financial plans;
- ▶ The ongoing significant risk of cyber attacks to public bodies; and
- ▶ Climate change reporting.

Our annual assessment of the Council's arrangements to secure best value is integrated within our wider scope annual audit work. During 2022/23 we were asked to conduct a thematic review of leadership and strategic priorities. Our wider scope and Best Value findings are summarised in Section 4 of this report.

## 3. Financial Statements

### Introduction

The annual financial statements allow the Council to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

### Compliance with regulations

As part of our oversight of the Council's financial reporting process we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared materially in accordance with the CIPFA Code of Practice on Local Government Accounting 2022/23.

The draft financial statements were submitted for audit by 30th June 2023, in line with requirements. The majority of working papers were provided in line with the agreed timetable. However, capacity to respond to audit queries from departments beyond Accountancy, along with the expected challenges in year one of an audit relating to understanding requirements expected from new auditors had an impact on our timetable. We are working with management to ensure that audit requirements for individual sections are fully understood as part of our 2022/23 audit debrief.

We were satisfied that the Council made the financial statements available for public inspection in accordance with Regulation 9 of The Local Authority Accounts (Scotland) Regulations 2014.

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As part of the audit process, we worked with the finance team to make enhancements to the presentation of the financial statements, including going concern disclosures. We will continue to discuss good practice as part of our 2022/23 debrief and ongoing engagement with the finance team.

### Audit outcomes

We identified 8 adjustments arising from the audit which have been reflected within the 2022/23 financial statements, and a further 3 which impact the prior year financial statements. There was one unadjusted disclosure difference, reflecting a late audit adjustment in the Strathclyde Pension Fund. Our overall audit opinion is summarised on pages 12-13.

We made three recommendations relating to the financial statements as a result of the annual audit. All recommendations relate to the Council's programme of valuation of its Property, Plant and Equipment. We note that a recommendation made by the previous auditors has not been fully completed, and we have now therefore graded the need for a robust valuation process, including scrutiny by management, as a Grade One recommendation. Other recommendations (Grade 2) were made in relation to the valuation methodology and common good register. These recommendations, together with management responses are included within the action plan in Appendix E.

### Audit Approach

We adopted a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

## **| Audit approach continued**

During our planning procedures, we determine which accounts, disclosures and relevant assertions could contain risks of material misstatement.

Our audit involves:

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, error or design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence to express an opinion on the Group and Council financial statements.
- ▶ Reading other information contained in the financial statements to form assessment, including that the annual report is fair, balanced and understandable.

- ▶ Ensuring that reporting to the Audit and Scrutiny Committee appropriately addresses matters communicated by us and whether it is materially inconsistent with our understanding and the financial statements.

- ▶ We rigorously maintain auditor independence (refer to Appendix B).

## **| Group financial statements**

The Council has identified and accounted for the following interests in other entities within its Group financial statements:

- ▶ Common Good and Charitable Trusts
- ▶ Strathclyde Partnership for Transport
- ▶ Strathclyde Concessionary Travel Scheme
- ▶ Renfrewshire Valuation Joint Board
- ▶ East Renfrewshire Culture & Leisure Trust
- ▶ East Renfrewshire Integration Joint Board

The only significant component by size is the Council, which accounts for 99% of consolidated gross expenditure.

No matters were identified as a result of our review of the group consolidation arrangements within the financial statements.

## | Key audit matters

Under the Code of Audit Practice (the Code), issued by Audit Scotland in June 2021. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

## | Section 106 Trusts

The Council acts as trustee for seven charitable trusts:

- ▶ Lieutenants Duff Memorial Institute;
- ▶ Newton Mearns Benevolent Association;
- ▶ Janet Hamilton Memorial Fund;
- ▶ John Pattison Memorial Fund,
- ▶ Hugh and Janet Martin Memorial Fund;
- ▶ Netherlee School 1937 Endowment; and
- ▶ Endowment for Talented Children and Young People.

The Council prepares amalgamated financial statements for the Trusts. [Our audit work on the 2022/23 annual accounts is now substantially complete and there are no unadjusted areas that we require to bring to the Committee's attention.

We consider the need to bring matters to the attention of the Committee regarding:

- ▶ The appropriateness of accounting policies or accounting estimates and judgements;
- ▶ the timing of transactions;
- ▶ the existence of material unusual transactions; or
- ▶ the potential effect on the financial statements of any uncertainties.

We note that there were two Trust Funds that had not incurred any expenditure in 2022/23, including one (the Endowment for Talented Children and Young People) that has not incurred any expenditure in recent years and the Council therefore closed the fund on 31 March 2023. We have discussed future plans with management for other small funds.

## | Audit Status

Our audit is substantially complete, subject to the following outstanding areas:

- ▶ Review of the finalised financial statements, including up to date going concern commentary and correct implementation of all agreed adjustments; and
- ▶ Updated confirmation that there have been no subsequent events in the period to date of signing.



## Exhibit 2: Our audit opinion

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Financial statements</b></p> <ul style="list-style-type: none"> <li>▶ Truth and fairness of the state of affairs of the Council at 31 March 2023 and its expenditure and income for the year then ended.</li> <li>▶ Financial statements in accordance with the relevant financial reporting framework.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.</li> <li>▶ We are satisfied that accounting policies are appropriate and estimates are reasonable.</li> <li>▶ We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.</li> </ul>	<p>We [have issued an unqualified] audit opinion on the 2022/23 financial statements for the Council.</p>
<p><b>Going concern</b></p> <ul style="list-style-type: none"> <li>▶ We are required to conclude on the appropriateness of the use of the going concern basis of accounting.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis.</li> <li>▶ Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.</li> </ul>	<p>In accordance with the work reported on page 25, we have not identified any material uncertainties.</p>
<p><b>Other information</b></p> <ul style="list-style-type: none"> <li>▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The Chief Financial Officer is responsible for other information included in the financial statements.</li> <li>▶ We conduct a range of substantive procedures on the financial statements and our conclusion draws upon review of committee and Council minutes and papers, regular discussions with management, our understanding of the Council and the wider sector.</li> </ul>	<p>We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.</p>

## Exhibit 2: Our audit opinion (continued)

Element of our opinion	Basis of our opinion	Conclusions
<p><b>Matters prescribed by the Accounts Commission</b></p> <ul style="list-style-type: none"> <li>▶ Audited part of remuneration report has been properly prepared.</li> <li>▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.</li> </ul>	<p><b>Our procedures include:</b></p> <ul style="list-style-type: none"> <li>▶ Reviewing the content of narrative disclosures to information known to us.</li> <li>▶ Our assessment of the Annual Governance Statement against the requirements of the CIPFA Delivering Good Governance Code.</li> </ul>	<p>We [issued] an unqualified opinion.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p><b>We are required to report on whether:</b></p> <ul style="list-style-type: none"> <li>▶ There has been a failure to achieve a prescribed financial objective.</li> <li>▶ Adequate accounting records have been kept.</li> <li>▶ Financial statements and the audited part of the remuneration report are not in agreement with the accounting records.</li> <li>▶ We have not received the information we require.</li> </ul>	<p>We [have no] matters to report.</p>

## Our response to significant and fraud audit risks

### 1. Risk of fraud in revenue and expenditure recognition (Key audit matter)

#### | What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

#### | What judgements are we focused on?

We consider there to be a specific risk around income and expenditure recognition through:

- ▶ Incorrect income and expenditure cut-off recognition to alter the Council's financial position around the financial year end.
- ▶ Incorrect recognition applied to grant income with performance conditions.
- ▶ Incorrect capitalisation of revenue expenditure.

In line with auditing standards, we rebut the risk around income and expenditure where appropriate depending on the nature of the account. Accordingly, we have rebutted the risk of improper recognition of income in respect of core grant funding from the Scottish Government, as well as in respect of council tax and non-domestic rate income. With regards to expenditure we have rebutted the risk of improper recognition of payroll, depreciation, and financing and investment expenditure.

#### | What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identify a fraud risk. For 2022/23 our work included:

- ▶ Inquiring with management and those charged with governance about risks of fraud and the controls put in place to address those risks.
- ▶ Reviewing and challenge management on any accounting estimates for evidence of bias.
- ▶ Reviewing and testing additional revenue and expenditure cut-off at the period end date.
- ▶ Ensuring that grant income satisfies recognition criteria tests.
- ▶ Conduct additional substantive testing of related income and expenditure transactions where we have identified a significant risk.
- ▶ Assessing and challenging manual adjustments / journal entries by management around the year end for evidence of management bias and evaluation of business rationale and supporting evidence.
- ▶ Testing material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified.

## **| Other audit procedures: non-significant risk areas**

### **► Council Tax Income**

We established detailed expectations of income based on properties and rates and compared to actual income in the year. We audited the reconciliation between the financial statements and the relevant feeder system.

A disclosure error was identified in relation to the reporting of the number of council tax dwellings reported within the notes to the Council Tax Income Account. We note in Appendix F that this has been updated to reflect the figures provided by the Assessors Office at 31 March 2023.

### **► Non-Domestic Rates**

We established expectations of income to be collected by the billing authority and agreed the reconciliation between the general ledger and the feeder system. We also audit the Council's NDR grant return to the Scottish Government to ensure that reliefs have been applied appropriately.

### **► Non ring-fenced grant income**

We substantively tested these balances to grant confirmation letters from third parties.

### **► Depreciation, amortisation & impairment:**

We undertook testing of these balances in conjunction with our work on property, plant and equipment. We considered the appropriateness of useful lives of assets and recalculated depreciation charged in the year.

We noted that the Council has capitalised lifecycle costs as determined by the models for PPP/PFI assets. During testing, the Council was unable to provide adequate evidence to support the capital nature and value of the additions, and we therefore required an adjustment to be made to correct the incorrect capitalisation of expenditure. This resulted in a decrease of additions to PPP/PFI assets of £2.17 million (refer to Appendix F).

In addition, Appendix F refers to the removal of £3.1 million of lifecycle costs have been removed from the value of the Roads PPP, which forms part of infrastructure assets. These are additions which have been incurred since the introduction of IFRS in 2010 up until 2021/22.

### **► Pension costs:**

We have outlined our consideration of the valuation of pension assets and liabilities held by the Council on page 24.

In respect of all pension transactions impacting the Comprehensive Income and Expenditure Statement we agreed these journals to the underlying IAS 19 report prepared by the Council's actuary.

We did, however, note from our review of the IAS19 actuarial valuation report that the Council has unfunded pension obligations at 31 March 2023 totalling £17.3 million. We agreed with management that these should be recognised separately on the balance sheet as an obligation on the basis that there are no plan assets to meet the pension liabilities. An adjustment has therefore been made within Appendix F to separately identify these assets.

## **| Other audit procedures: non-significant risk areas continued**

### **▶ Employee expenses**

We established expectations of payroll costs in the year based on staff numbers and salary movements, and compared our expectations to actual results and investigated variances. Our bespoke data analysers provided analysis of all payroll transactions in the year, from which we investigated and corroborated material and unusual transactions.

We identified one error in relation to the calculation of the accumulated absences accrual, where we identified that the accrual was based on 2022/23 rates of pay. Appendix F reflects the requirement to uplift the salary calculation to reflect pay award expectations in 2023/24.



### **Our conclusions**

- ▶ Our testing has resulted in a number of adjustments to misstatements relating to revenue and expenditure recognition.
- ▶ We note that the Council's Chief Internal Auditor has referred to weaknesses within the new payroll system, iTrent, which require further investigation.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

## 2. Risk of management override (Key audit matter)

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

### | Risk of fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also developed our understanding of the oversight of those charged with governance over management's processes over fraud.

### | Testing on journal entries

We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. [In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- ▶ Journals transferring funds between useable reserves and restricted or separated accounts such as HRA accounts; and
- ▶ Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

### | Judgements and estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the Board's audit from 2020/21. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, including the valuation of local government pension assets and liabilities, considered on page 24 of this report; and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment, outlined on page 19 of this report).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;
- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate valuation.

We reviewed each significant accounting estimate for evidence of management bias, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements. We worked with management to enhance these, as outlined earlier in this report.

### | Accounting policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the Council to be appropriate and there were no significant accounting practices which materially depart from what is acceptable under the Code.

### | Remuneration report

The Council must prepare a Remuneration Report as part of the financial statements under the Accounting Code of Practice. We apply a lower level of materiality to the Remuneration Report due to the nature of the disclosures.

Within the Remuneration Report, the Council is required to disclose elected member expenses.

As part of our testing, we noted that the unaudited accounts disclosed the costs of the use of a car which is leased by the Council under standard invoicing arrangements and used for the fulfilment of civic duties, such as attending formal events. The cost of the car is apportioned to each elected member based on each individual's use of the car. However, as the member does not receive any reimbursement for the cost incurred and therefore does not meet the criteria as an expense per the Local Government (Allowances and Expenses) (Scotland) Regulations 2007, we have raised an adjustment to remove these costs from the disclosure in 2022/23 in Appendix F. This also impacts the prior year comparator disclosure.



## [Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.]

### 3. Valuation of Property, Plant and Equipment (Key audit matter)

#### | What is the risk?

The fair value of property, plant and equipment (PPE) represent significant balances in the Council's financial statements. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. In 2022/23, the Council's internal valuers completed a significant programme to revalue each class of asset.

The Council also has a significant capital programme with judgement being applied to the valuation of additions and split between revenue and capital expenditure. We note that the Council's previous auditors recommend that a valuation report is prepared to outline the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.

In 2021/22, local government auditors raised concerns that Code requirements were not being adhered to in respect of subsequent expenditure on infrastructure assets. Further concerns were raised in respect of the ability to evidence the existence of infrastructure assets at the balance sheet date. The Scottish Government agreed to provide a temporary statutory override whilst a permanent solution is developed within the Code. This temporary solution was issued with the expectation that local authorities will begin to address information deficits to ensure adequate accounting records for the measurement of infrastructure assets and timely adoption of the Code requirements once a permanent solution is agreed.

During 2022/23, an additional risk emerged in relation to the use of Reinforced Autoclaves Aerated Concrete (RAAC) after recent investigations identified the deterioration of RAAC planks

could impact the functionality of the building and result in significant additional costs to rectify.

#### | What did we do?

Our work over Property, Plant and Equipment focussed on the following areas:

- ▶ review and appraisal of the work performed by the Council's valuer, including the scope of the work performed, their professional capabilities and the results of their work;
- ▶ sample testing key asset information used by the valuers (e.g. floor plans to support valuations based on price per square metre);
- ▶ involving EY internal specialists to challenge the work performed by the Council's valuers;
- ▶ assessing any changes to useful economic lives;
- ▶ testing accounting entries have been correctly processed in the financial statements;
- ▶ sample testing transfers from assets under construction and confirm for a sample that remain within assets under construction that development is still in progress;
- ▶ reviewing management's impairment assessment and assess the completeness of impairment considerations;
- ▶ reviewing the Council's approach to determining if any buildings are impacted by the use of RAAC.
- ▶ gaining an understanding of the level and nature of capital spend in year and perform testing on fixed asset additions ensuring an appropriate split between revenue and capital expenditure; and
- ▶ reviewing operating expenditure for evidence of capital addition omissions.



## Our findings

Early in the audit process, management explained that given the ongoing focus on the valuation of fixed assets by auditors, and the materiality and estimation uncertainty associated with valuations, the Council had elected to value 100% of assets in 2022/23, significantly enhancing the accuracy of information available to management for the yearend financials statements, but also increasing the level of work required by the Council's valuers. The Council employs its own valuers within the Property and Technical Services (PATS) team. During the final audit visit, we requested a sample of valuations to conduct our own testing, and selected a number to be reviewed by our valuation specialists.

We experienced a number of delays in obtaining the valuation certificates for the assets subject to testing. Key working papers that we would expect to be presented and considered by management as part of a robust valuation process were not available at the start of the audit. The Council has not routinely provided supporting working for its valuations in prior years but these should be available both to finance and to auditors to challenge and interrogate valuations.

**Recommendation 1:** Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.

During testing we identified that PPP/PFI schools had not been previously revalued since 2017/18. The Council's impairment review of assets that had not been revalued in 2021/22 had omitted these assets from consideration.

The 2022/23 revaluation increased the carrying value of the schools by £53.6 million. Due to the impact of inflation over

the five years since the last valuation, we determined that only part of the increase (£15.1 million) related to 2022/23. We have therefore highlighted a £38.5 million prior period error within Appendix F. Similarly, a number of other schools that were not valued in 2021/22 were determined to have been materially misstated in the prior year financial statements (an error of £11.73 million - Appendix F).

One further prior year error was identified in relation to the statutory override that councils adopted in 2021/22 in relation to infrastructure assets. The council's Roads PPP had previously been excluded from this override and the gross cost and accumulated depreciation for PPP Roads was included in error. This resulted in a reclassification misstatement outlined in Appendix F.

*[All prior year adjustments have been processed within the financial statements, subject to final audit checks of adjustments being correctly processed and disclosed].*

Our testing identified a number of errors within valuations, including:

- ▶ Land values for the PFI/PPP assets had been recorded at a discounted rather than full value, resulting in an understatement of £6.781 million;
- ▶ Land values for sites in Barrhead had been undervalued, resulting in an understatement of £3.506 million;
- ▶ Land values for sites in Eastwood has been overvalued, resulting in an overstatement of land of £714,000; and
- ▶ Amenity land throughout the asset base had been valued at a developed rate, which contravenes the CIPFA Accounting Code of Practice, resulting in an overstatement of £9.404 million.

### | Our findings continued

While these values netted off to a value below our materiality level in 2022/23, the Council should ensure that valuations are Code-compliant.

**Recommendation 2:** The Council should ensure that the basis of valuations is in line with the Code of Accounting Practice.

### | Reinforced Autoclaves Aerated Concrete (RAAC)

The Council has followed decision tree guidance issued by the Department of Education as part of its assessment, and determined that none of its schools have been impacted by the RAAC matter.

Management has made representations that none of the schools within East Renfrewshire have been impacted within the letter of representation that we require as part of our finalisation of the audit. We will continue to keep this matter under review up to and including our subsequent events procedures.

### | Common Good Assets

In May 2023, the Local Authority Accounting Scotland Accounts Advisory Committee (LASAAC) issued updated guidance on accounting for Common Good Assets. LASAAC note that there is a requirement to maintain asset registers for all Common Good assets under the Community Empowerment Act 2015. However, previous assessments by LASAAC have noted that problems may have arisen over time as a likely consequence of:

- ▶ the historic nature of the Common Good which may encompass assets which are more than 100 years old;
- ▶ the compound effect of successive local government reorganisations; and
- ▶ no requirement for local authorities in Scotland to maintain formal asset registers until 1994.

**Recommendation 3:** The Council should consider its arrangements for recording common good assets against the updated LASAAC guidance.

We have considered the Council's common good assets as part of our work. We applied a lower level of materiality (£250,000) due to the level of public interest in common good assets. No audit adjustments were required as a result of this work.



### Our conclusions

- ▶ We have identified a number of material misstatements in the current and prior year valuation of property, plant and equipment in Appendix F, and we have identified 2 recommendations for future years.
- ▶ While there was no disagreement during the course of the audit over any accounting treatment, we did experience significant delays in obtaining appropriate audit evidence for valuations.

## 4. Valuation of PFI/PPP Liabilities (Key audit matter)

### | What is the risk?

The value of PFI/PPP liabilities represent significant balances in the Council's financial statements with the Council holding 5 different contracts. Accounting for these contracts includes a number of complexities ensuring the financial models reflect any contract amendments and inflationary uplifts.

Within the 2022/23 financial statements, the Council holds £73.5 million in respect of PFI/PPP contract liabilities.

### | What did we do?

Our procedures included:

- ▶ reviewing the contractual agreements for each PFI/PPP asset and confirm any contract amendments have been appropriately reflected within the liability valuation;
- ▶ ensuring that that accounting models have been appropriately and accurately updated to reflect inflationary uplifts and actual unitary charge payments;
- ▶ testing accounting entries have been correctly processed in the financial statements;

- ▶ involving EY internal specialists to review and challenge the accounting models for each PFI/PPP contract; and
- ▶ reviewing financial statement disclosures to ensure commitments are appropriately disclosed.

### | Financial flexibilities

In March 2023, the Council elected to make use of the service concessions flexibility made available by the Cabinet Secretary in October 2020. Local authority Directors of Finance and COSLA liaised directly with the Scottish Government to clarify the practicalities of the flexibilities. The options in respect of flexibilities have been reported to Council throughout the year, as guidance has developed. As a result of the latest statutory guidance in respect of service contract concessions, the Council elected to extend its PPP contract debt repayment periods to reflect asset, rather than contract, lives.

We worked with the Council to ensure appropriate financial statement disclosures were in place with respect of planned and actual use of financial flexibilities.



### [Our conclusions

- ▶ We engaged our specialists to support our procedures, recognising that the models had not been subject to detailed specialist review before.
- ▶ Based upon the audit procedures performed, we have concluded that PPP/PFI liabilities have been appropriately valued in accordance the CIPFA Code of Practice on Local Authority Accounting in the UK 2022-23 and IFRIC 12 Service Concession arrangements.

## Opening balances

### Audit requirements

As 2022/23 is the first year of our audit appointment, we are required to complete additional procedures in line with Auditing standard ISA (UK) 510.

There is a possibility that we identify balances that we consider to be inappropriately recognised or valued incorrectly, in particular where we disagree with the basis for estimates and judgements made historically or the underlying accounting principles applied by management.

Our audit work focused on the following areas of judgement within these balances:

- ▶ agree the opening balance sheet position to the underlying financial records held by management;
- ▶ review the prior year working papers by the departing auditor to understand the procedures completed and if they need to be supplemented or followed up in any way;
- ▶ consider unusual material transactions posted by management in the first accounting periods of 2022/23, which may indicate correction of previous errors, and understand the basis for these transactions; and
- ▶ review post 31 March 2022 actual transaction data for estimates made at the previous balance sheet date to assess the reasonableness of estimates made.



### Our conclusions

We identified a number of key judgements and estimates within the prior year financial statements. This includes:

- ▶ the valuation of the Council's Property, Plant and Equipment (refer to pages 19-21)
- ▶ The valuation of PFI/PPP liabilities (refer to page 22)
- ▶ Cut off balances ( refer to page 14).

As part of our testing, we identified a number of adjustments in relation to the prior year valuation of Property, Plant and Equipment which are included within Appendix F.

## Valuation of pension assets and liabilities

### Audit requirements

The Council's net pension liability, measured as the sum of the long term payments due to members as they retire against the Council's share of the Strathclyde Pension Fund investments, is a material balance in the Council financial statements. At 31 March 2023 the unaudited financial statements disclosed a net asset of £160.46 million (2022: *liability of £50 million*).

Accounting for this scheme involves significant estimation and judgement, including financial and demographic assumptions. The Council engages an actuary to undertake the calculations on their behalf.

ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our findings

Accounting standards place a limit on the amount of pension surplus that can be included as an asset on an organisation's balance sheet. A council cannot show an asset on its balance sheet relating to a defined benefit pension scheme which exceeds the economic value it is likely to derive from the pension scheme. The amount that can be included as an asset is therefore restricted to the surplus which can be returned to the company by way of refunds or reductions in future contributions. This restriction is known as the "asset ceiling". As part of our audit procedures, we requested that the Council obtain an asset ceiling report from their actuaries. Our actuarial specialists reviewed the asset ceiling report and were satisfied that it was materially correct. As a result, the value of the Council's pension asset reduced from £160.46 million to £16.22 million. This is disclosed as an adjusted audit difference in Appendix F



### Our conclusions

- ▶ We engaged specialists to support our work on the reasonableness of the underlying assumptions used by the Council's actuary.
- ▶ We undertook procedures to ensure that the information supplied to the actuary in relation to the Council was complete and accurate and that our own estimate of the valuation based on those inputs was materially consistent with the actuarial reports.
- ▶ We considered the findings of the appointed auditor of the Strathclyde Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council, in particular in relation to the valuation of the Pension Fund assets at 31 March 2023 and we audited the accounting entries and disclosures made in the financial statements were consistent with the actuary's report.

## Going concern

### Audit requirements

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report.

Under ISA (UK) 570, we are required to undertake challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of the ongoing impact of Covid-19, the cost of living crisis and inflationary pressures, we place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the Council and its financial sustainability.

Management's going concern assessment and associated disclosures cover the 12 month period following approval of the financial statements, to September 2024.

After completing its going concern assessment in line with the information and

support provided through earlier discussions in the audit process, the Council has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the Council's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ The completeness of factors considered in management's going concern assessment.
- ▶ The completeness of disclosures in the financial statements in relation to going concern and future financial pressures and how savings challenges in the short and medium term will be addressed.



### Our conclusions

- ▶ We reviewed and challenged the going concern assessment provided by management. We verified the assessment to supporting information, including key reports to the Council and financial plans. We concur with management's assessment that there are no material uncertainties in relation to the going concern of the Council.

## ISA (UK) 315: Identifying and assessing the risks of material misstatement

### Audit requirements

As set out within our Annual Audit Plan, there has been a significant change to the auditing standard, ISA (UK) 315 and this impacted our 2022/23 audit approach and the procedures we needed to perform.

The standard drives our approach to consideration of the specific systems used to create the financial statements, including:

- ▶ Risk assessment.
- ▶ Understanding the Council's internal control arrangements.
- ▶ The identification of significant risks.
- ▶ How we address significant risks.

Key changes to our audit approach as a result of the implementation of ISA 315 were:

- ▶ A significant increase in audit work on the Council's use of IT in the systems of internal control across partner organisations.

- ▶ Increased importance of our understanding of the entity and environment, the applicable financial reporting framework, and system of internal control.
- ▶ A greater focus on professional scepticism including ensuring that audit approaches do not show bias to look for corroborative evidence or excluding contradictory evidence.
- ▶ We made enhanced inquiries of management and others within the Council who deal with fraud allegations, to determine whether they have knowledge of any actual, suspected or alleged fraud, including cases of fraud raised by employees or other parties.
- ▶ We held discussions with key members of the Council including in respect of the risks of fraud and considered the implications for the audit.



### Our conclusions

- ▶ We identified 13 relevant IT systems and applications which contribute to the production of the Council's financial statements, with the majority of these systems and applications being hosted nationally.
- ▶ Our work did not identify any significant weaknesses in the Council's systems of internal control. We did however identify some areas for improvement in relation to user access controls and legacy systems which we will discuss with management, allowing them to implement amendments or additional controls.

## 4. Best Value and Wider Scope Audit

### Introduction

In June 2021, Audit Scotland and the Accounts Commission published a revised Code of Audit Practice. This establishes the expectations for public sector auditors in Scotland for the term of the current appointment.

### Risk assessment and approach

The Code sets out the four dimensions that comprise the wider scope audit for public sector in Scotland:

- ▶ Financial management.
- ▶ Financial sustainability.
- ▶ Vision, Leadership and Governance.
- ▶ The use of resources to improve outcomes.

We apply our professional judgement to risk assess and focus our work on each of the wider scope areas. In doing so, we draw upon conclusions expressed by other bodies including the Council's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland.

For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

### Best Value

The Code explains the revised arrangements for the audit of Best Value. The Accounts Commission require auditors to assess and report on the Council's performance in meeting its Best Value and community planning duties.

The findings from our wider scope work have informed our assessment of Best Value in 2022/23. In addition, the Accounts Commission requested that we conduct a thematic review of leadership and strategic priorities, based on a work programme provided by Audit Scotland.

### Exhibit 3: Our RAG ratings

	<b>Red</b>	Our auditor judgements are RAG rated based on our assessment of the adequacy of the Council's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each area.
	<b>Amber</b>	
	<b>Green</b>	This takes account of both external risks not within the Council's control and internal risks which can be managed by the Council, as well as control and process observations made through our audit work.



## Financial Sustainability



### Our overall assessment: Red

As part of its scenario planning, the Council has identified significant budget gaps in the medium term, with an average savings gap of around £7.6 million forecast for each of the next 5 years but significant uncertainties remain. Financial flexibilities have allowed the Council to establish a service concessions reserve to support the delivery of savings but there is a need to formally agree an updated medium term financial plan that demonstrates how Council priorities will be achieved.

### The context for financial sustainability within the Council sector

Scotland's public services are facing unprecedented challenges. In May 2023, the Scottish Fiscal Commission published their report on Scotland's Economic and Fiscal Forecasts which showed that forecast spending could exceed funding by 2% (£1 billion) in 2024/25, rising to 4% (£1.9 billion).

The Accounts Commission publishes an annual report on the financial performance of Councils: Financial Analysis 2021/22 (April 2023). The report highlights the significant pressures impacting the sector including:

- ▶ The rising demand associated with an ageing population with increasingly complex health and social care needs.
- ▶ A workforce under extreme pressure facing continuing recruitment and retention challenges, including staff turnover rates of around 30%.
- ▶ Weakening financial position, with almost half of Councils holding contingency reserves of less than one per cent of the net cost of services.
- ▶ A funding gap of £124 million in 2022/23 alone, with Councils expected to draw upon reserves to fund around 14% of the gap.

In June 2023, the Convention of Scottish Local Authorities (CoSLA) and the Scottish Government agreed a new Partnership Agreement (known as the "Verity House Agreement") to develop a more collaborative approach to delivering three shared priorities:

- ▶ Tackling poverty;
- ▶ Just transition to net zero; and
- ▶ Sustainable public services.

The agreement is a high level statement of intent, recognising that significant activity is underway to support each priority, and there are potential programmes of joint work. It commits that by the end of September 2023:

- ▶ Improved engagement on budgetary matters will be well underway with councils, in preparation for the Scottish Budget in December 2023;
- ▶ A Fiscal Framework will be concluded between Scottish Government and Local Government, of which regular budget engagement will be a key part.
- ▶ A shared programme of activity underneath each of the three priorities, which will focus on the period between now and the next Scottish Council Elections in 2027.

Further work is planned by end October 2023 to create more freedom and flexibility for Councils to address the priorities in a way that meets local needs.

### **| The Council has highlighted that East Renfrewshire residents will be disproportionately impacted by proposed changes to council tax rates**

In July 2023, the Scottish Government and CoSLA launched a joint consultation on potential changes to the council tax system that would result in those in the highest value properties asked to contribute more. While this will impact 25% of properties across Scotland, in East Renfrewshire the impact is higher. Around 57% (23,000 households), would be required to make higher contributions, in part due to the high proportion of new build properties in the area. These properties are largely banded from E to H, whereas similar older properties, which have not been revalued since 1991 and may have a higher market value, may be banded C or D.

### **| The Council paused plans to reintroduce multi-year budgets as a result of the significant financial uncertainties facing Scottish Local Government**

Prior to the impact of the pandemic, the Council had adopted a three year budget approach for the financial years 2018/19 and 2019/20. The Council anticipated that multi-year budgets would be resumed in March 2023, but the lack of detailed information on likely local government financial settlements, coupled with ongoing uncertainties such as inflationary pressures, meant that this was not pursued.

The Council continues to update its medium term financial plan and three year budget, driven by scenario planning, are prepared for members' consideration and a high level budget for the years 2024/25 and 2025/26 is included in the Outcome Delivery Plan. The Council's saving plans for the next three years were also informed by public consultation on savings options for 2023-2026.

It is hoped that the work emerging from the Verity House Agreement will provide sufficient forecasting information to allow multi-year budgets from 2024/25 and beyond.

The Council has considered outline 3 year departmental budgets within each Outcome Delivery Plan and in March 2023, the Council also considered an Outline Revenue Financial Plan for the period 2023-2029. This outlined the significant demographic demand pressures facing the Council as a result of significant inward migration and an ageing population. The population of East Renfrewshire Council is projected to rise by 13.5% in the period to 2043, against a projected rise for the whole of Scotland at just 2.5%.

The Council has highlighted that the "floors" mechanism used to allocate Scottish Government funding disproportionately impacts councils with increasing populations. The Council's grant settlement reduced by £3.5 million in 2023/24 to support councils with falling populations from a rapid decrease in budget.

The Outline Revenue Plan estimates that if the annual grant remains broadly flat in cash terms, an average savings gap of around £7.6 million is forecast for each of the next 5 years. A Budget Strategy Group is in place to develop plans for the 2024/25 budget and beyond. The Plan also notes that all of the Council's revenue and capital expenditure will need to be reviewed in light of the requirement to achieve net zero greenhouse gas emissions by 2045. This will require review and reprioritisation of significant investment decisions. The draft "get to zero" action plan is currently subject to consultation but expected to be adopted during 2023/24.

**| Recommendation 4:** The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.

**| The Council has set aside funds to support the delivery of the Digital Transformation Strategy**

The Council has a Digital Transformation Strategy in place, supported by an annual budget drawn from the Council’s modernisation earmarked reserve, alongside recharges to capital, revenue funding and other reserves. The underspend in 2022/23 allowed the Council to transfer £2.1 million to support the transformation programme to prioritise savings and improvements in services.

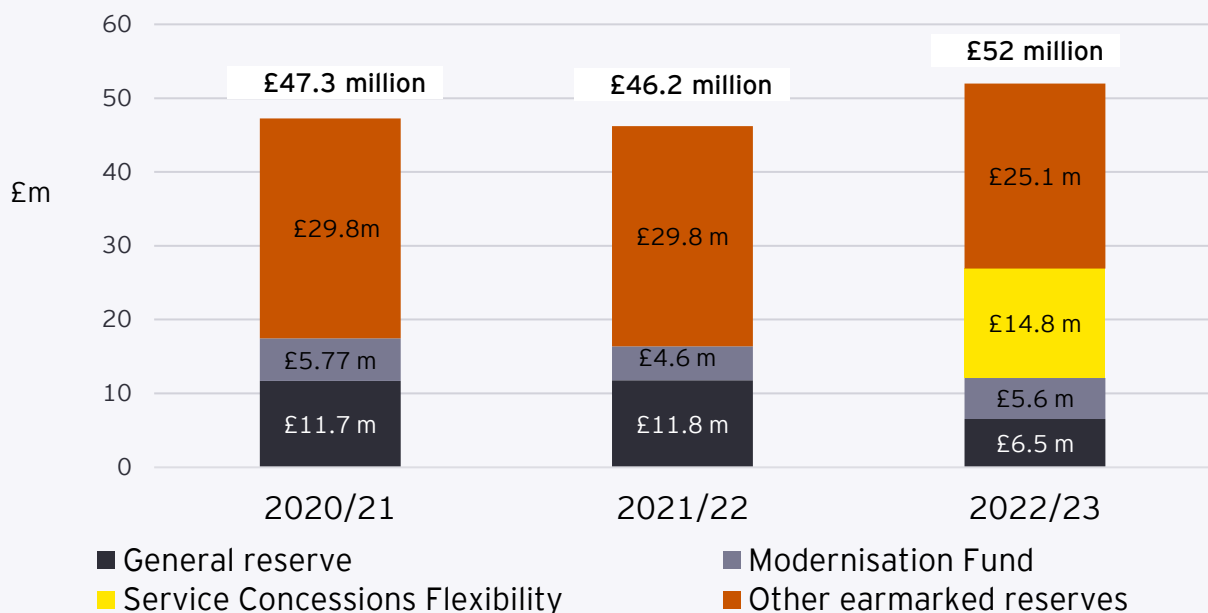
The financial forecast notes that the modernisation reserve is at risk of being depleted, and that in the future the programme may have to be funded using top-slicing from departmental revenue budgets.

**| The Council’s usable reserve balances increased overall in 2022/23**

As Exhibit 4 highlights, in 2022/23 the Council’s usable reserves increased by £5.8 million as a result of the Council’s decision to take advantage of the fiscal flexibilities available to local government since October 2020. In March 2023, the Council approved the restructuring of the liability held in the Council’s Balance sheet for its five PFI/PPP service concession arrangements over the lives of the assets instead of the lives of the contracts, in line with the finance circular 10/2022.

This resulted in a one-off benefit of £14.8 million to the reserves position, and the creation of a specific service concessions reserve to manage future budget gap pressures. Without this application, General Fund reserves would have fallen by £9 million in 2022/23 as a result of the use of earmarked balances, including Covid-19 grants (£4.7 million) and the planned use of the General Reserve (£5.3 million).

**Exhibit 4: Reserves balances increased by £5.8 million during 2022/23 as a result of the application of service concession financial flexibilities**



**The Council's General Reserve balances fell in 2022/23 but remain in the Council's accepted range.**

The Council's General Reserve fell to £6.5 million at 31 March 2023, representing 2.3% of annual budgeted net revenue expenditure (2021/22: 4.4%). The Council's target, set within the Reserves Policy, is to ideally hold 4% of the revenue budget as a general reserve, with a minimum level of around 2%. The Local Authority Accounting Panel (LAAP) Bulletin 99 on Reserves and Balances notes that "it is not normally prudent for reserves to be deployed to finance recurrent expenditure."

The Council's 2023/24 budget was set in March 2023 and identified a budget gap of £18.1 million. Exhibit 5 highlights that the Council proposes to bridge £10.2 million of the gap by drawing upon the service concession reserve. The General Fund balance at 31 March 2024 is currently projected to remain at £6.5 million. Historically, underspends have been used to replenish the General Fund balance.

We note that the Reserves Policy has not been updated since February 2021, and

may not, therefore, fully reflect the level of risk and uncertainty facing the Council in the short to medium term.

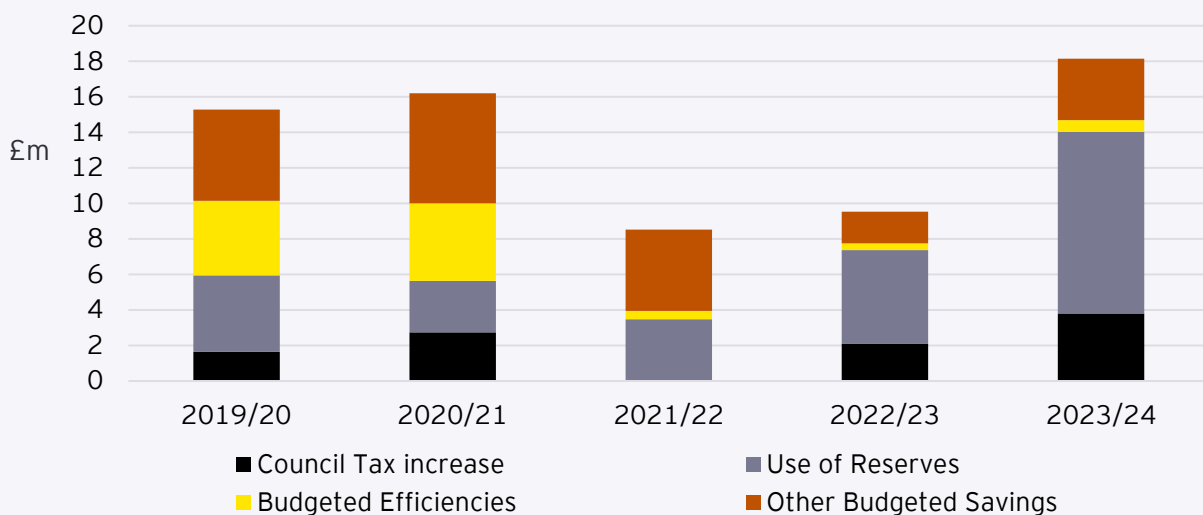
**Recommendation 5:** The Council should review the Reserves Policy to ensure it fully reflects its current risks and priorities.

**The Council has identified savings of £4.74 million to be delivered in 2023/24**

As Exhibit 5 outlines, the Council has been able to deliver significant savings over the last 5 years to balance the budget gap. Saving options were the subject of public consultation in Autumn 2022 and remain under consideration by the Budget Strategy Group. Savings of £4.74 million are planned to be delivered in 2023/24, with indicative savings approved for 2024/25 totalling £2.03 million.

Planned savings have been identified across all services and include staff reductions in Environment, Revenues and Benefits, ICT, HR/Payroll and Strategic Services. The Council has also required to make reductions in services, including within Education, such as behavioural support and support for quality. The Council has created an earmarked reserve of £1.5 million to meet the costs of workforce restructure.

**Exhibit 5: The Council has used savings of over £30 million to meet the budget gap for the last 5 years**



## Financial Management



### Our overall assessment: Amber

The Council recorded a surplus in 2022/23 of £11.1 million, reflecting an underspend of £5.6 million against service delivery and movements in earmarked reserves, including the use of financial flexibilities to create a new service concessions reserve of £14.8 million. In 2022/23 the Council also elected to draw upon £5.25 million from General Reserves to balance the financial position.

We noted that the Council's Chief Auditor has drawn attention to two areas of non-compliance with contract standing orders within the Annual Governance Statement.

### Financial Outturn

The Council recorded a surplus of £11.1 million in 2022/23, after transferring £1 million to the Repairs and Renewals Fund. The outturn reflected £5.6 million service underspends relating to:

- ▶ improved income, including interest earned on temporary investment balances and higher Council Tax collection as a result of new-build completions of £2.2 million;
- ▶ a lower than planned spend in relation to redundancies and other contingencies of £1.2 million;
- ▶ lower teaching costs following industrial action of £1 million; and
- ▶ underspends as a result of staff vacancies and contract savings of £1.2 million.

The remaining surplus (£6.5 million) related to movements in earmarked balances, including a £14.8 million reserve as a result of the use of financial flexibilities, offset by the Council's budget decision to draw upon £5.25 million from General Reserves to balance the 2022/23 financial position. Most of the surplus has been allocated to earmarked reserves to address future known cost pressures.

### As in prior years, the outturn was significantly better than forecast throughout the financial year

The 2022/23 financial outturn continues a trend of significant underspends noted in previous years. In 2021/22, the external auditors recommended improvements to budgeting and forecast reporting arrangements.

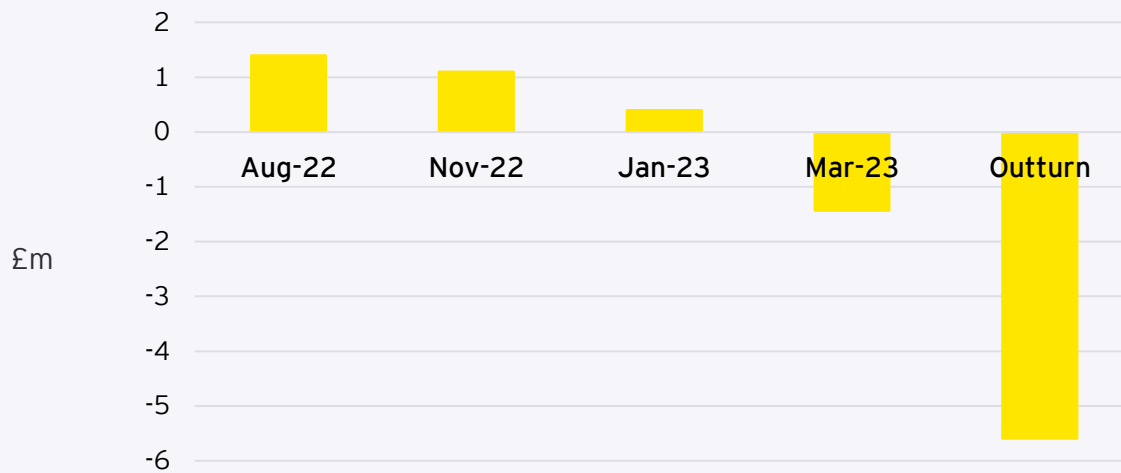
The Cabinet receives budget monitoring reports throughout the financial year. Exhibit 6 highlights that forecasting for most of the year projected an overspend against service budgets.

While there were unexpected one-off movements, the estimates included within budget forecasting continued to be prudent rather than realistic. The underspend also reflects decisions made to constrain expenditure and specific actions undertaken by services to identify savings to offset cost pressures, such as the higher than expected teachers pay award.

Budget monitoring reports are critical for members, including the Budget Strategy Group, to make decisions about the prioritisation of resources.

**Recommendation 6:** The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.

### Exhibit 6: Until the year end, budget monitoring reports anticipated that service budgets would deliver an overspend



#### The Council reported that it delivered 99% of the planned value of General Fund and Housing capital programmes

In recent years, councils across Scotland have noted the impact of the pandemic and the war in Ukraine on the delivery of capital programmes. The financial statements report that capital investment in the General Fund and the Housing Revenue Account totalled £46 million, representing 99.3% of the budget for the year. We do, however, note that there have been variations within the planned programme. In a number of cases the tenders returned for have exceeded the approved budget and are therefore subject to review. These include:

- ▶ St Mark's Primary School Car Park;
- ▶ Isobel Mair External Classroom; and
- ▶ Crookfur Primary School Extension.

The cost of other projects, such as the Mearns Castle High School Sports Facility and Eastwood High School sports centre changing rooms and disabled toilets have increased.

#### The Council concluded that its internal control arrangements remain effective but noted areas of non-compliance with the contract standing orders

Within the Annual Governance Statement, the Council has concluded that they have obtained assurance that the system of internal control was operating effectively during the year.

The Governance Statement does, however, highlight that the Chief Internal Auditor has reported two areas of non-compliance with the contract standing orders within the Housing Service.

The Council uses the Governance Statement to explain the actions that will be taken in response to weaknesses, and reports on the progress against actions agreed in prior years.

Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an assessment of the financial control environment as part of our planning work, and updated our understanding as part of the year end audit. Following the revisions to the ISA (UK) 315, our audit methodology included a greater focus on the use of IT in the system of internal control. Our work did not identify any significant weaknesses in the systems of internal control relevant to the preparation of the Council's financial statements, although we note in Section 3 that areas for improvement will be discussed with management.

We did, however, note that the Chief Internal Auditor's annual report drew attention to ongoing work in relation to the Council's payroll system.

### **| Capacity and capability of the finance team**

As this is the first year of our annual audit work, we considered the strength and depth of the finance team, including the arrangements in place for workforce and succession planning.

The Council's strategic planning processes have identified a weakness in relation to the impact of retirements and the corresponding loss of experience and organisational knowledge. We are satisfied that the Council adheres to the principles laid out within CIPFA's Statement on the role of the Chief Financial Officer in Local Government. However, while the Council has an experienced finance team, there is a risk of key person dependency.

Within Section 3, we refer to the need to update and review the Accountancy Team's arrangements in relation to the review and update of the financial statements against good practice guidance, and to review and challenge valuation assumptions.

A strong finance function is essential to navigate the period of the next Medium Term Financial Plan, and to meet the requirements of the CIPFA Financial Management Code.

**| Recommendation 7:** The Council should ensure that the Accountancy Team is sufficiently resourced to reduce key person dependency and meet ongoing training requirements.

## Vision, Leadership and Governance



### Our overall assessment: Amber

The Council has recently approved the first step in updating its Vision for the Future and reports clearly on its contribution to deliver the strategic priorities within the Community Plan.

Governance arrangements are established and worked well throughout 2022/23. However, we note that the Council's internal audit team is insufficiently staffed to deliver the 2023/24 plan.

### The Council has approved an updated Vision for the Future and continues to demonstrate its contribution to the Community Plan

In June 2023, the Council approved a revised Vision for the Future, representing the first key step in refreshing the long term strategic planning framework.

It has drawn upon stakeholder engagement and work with partners to refine and refresh the vision for the next 10 to 15 years and has identified three clear priority themes:

- ▶ Children and Young People
- ▶ Communities and Place; and
- ▶ Promoting wellbeing and supporting the vulnerable.

Further work is underway to develop the outcomes that underpin the refreshed framework, with a three year plan expected to be in place by Autumn 2024.

The Council uses the annual refresh of the rolling three year Outcome Delivery Plan to demonstrate its contribution to the Strategic Priorities within the Community Plan. Our work on the Best Value Thematic Review for 2022/23 noted that there is a need to align long term financial and capital planning to key priorities, including climate change ambitions.

### The Annual Governance Statement demonstrates that it has the key requirements for good governance in place

The key aspects of the Council's governance arrangements are required to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements outlined in the CIPFA framework for *Delivering Good Governance in Local Government*, and against our understanding of the Council's arrangements in the period to 31 March 2023.

The Local Authority Accounting (Scotland) Regulations 2014 require that a review is undertaken, at least once in each financial year, of the effectiveness of the system of internal control. The Council's Chief Financial Officer has concluded that reasonable and objective assurance can be taken that any risks impacting on the achievement of our strategic outcomes were identified, and appropriate actions were taken for the year to 31 March 2023.

Her assessment is based on Statements of Assurance from Directors and Chief Executives within the Council and Culture and Leisure Trust. The only exception raised related to the Certificate of Assurance from the Director of Environment which noted a breach in Contract Standing Orders in relation to the



award of an External Wall Insulation and Roof Insulation. The certificate also noted an internal audit is underway in relation to the contract award for the building of social housing.

We note that this internal audit has not yet concluded as a result of a delay in management responses to the draft report. We will therefore continue to consider the implications of this work in 2023/24.

### **| The Council's Internal Audit team is insufficiently staffed to deliver the annual audit plan**

Throughout the year, we noted an acute resource constraint within the Council's internal audit team. The Chief Auditor has referred to vacancies within the team and the impact on the delivery of the internal audit plan in both 2021/22 and 2022/23. The Plan for 2023/24 notes that delivery assumes that the two current vacancies would be filled in the first quarter of the year. This has not been possible and we therefore consider that delivery of the plan in full is at risk.

The Council does not have a counterfraud team in place, although some elements are addressed by the Revenue and Benefits team. Any whistleblowing or fraud allegations are therefore investigated by the internal audit team. The current level of vacancies therefore places the Council's ability to respond to any allegations at risk.

**| Recommendation 8:** There is an urgent need to respond to the current level of vacancies within the Council's internal audit team.

### **| The Audit and Scrutiny Committee should self-assess its arrangements against updated good practice guidance**

In October 2022, CIPFA updated its guidance on good practice for local authority audit committees. At East Renfrewshire Council, the role of the audit committee is fulfilled by the Audit and Scrutiny Committee.

While the Committee generally meets the requirements within the guidance, there has been no formal self-assessment arrangements against the CIPFA guidance which may identify improvements. For example, we note that the good practice guidance suggests separating the roles of the audit committee and scrutiny function.

In our view, a self-assessment would help to support the governance framework outlined within the Annual Governance Statement.

**| Recommendation 9:** The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.

**| The Council has established good arrangements to respond to the National Fraud Initiative, but whistleblowing arrangements should be improved**

The National Fraud Initiative (NFI) programme is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The annual exercise produces data matches by comparing information held on public bodies' systems to identify potential fraud or error. Audit Scotland's co-ordinator notes that East Renfrewshire Council are one of the better performing Council's in Scotland in terms of the follow up and response to matches.

The Audit and Scrutiny Committee consider an annual report on the Council's Fraud Response. We note that the Council's Anti-Fraud, Bribery and Theft Strategy (2019) was being reviewed to ensure that it continues to meet the need of the Council and the level of current and emerging fraud risks.

## Use of resources

### Our overall assessment: Green



The Council has a well-developed approach in place to monitor and report on key areas of performance, and was able to demonstrate key areas of improvement in 2022/23 within both service performance and in responding to the Strategic Outcomes within the Community Plan. The Council continues to monitor a range of strategic risks, including the impact of the financial position and ongoing threat of cyber attacks on the public sector. The Council has set a target to achieve net zero emissions by 2045 but acknowledges that the significant investment required is unlikely to be affordable.

### The Council regularly reports on its performance, including progress against the Community Plan and Fairer East Ren

A comprehensive Performance Framework is in place to report on performance against the Council’s Strategic Outcomes. The annually-refreshed Outcome Delivery Plan provides a direct link to the priorities within the Community Plan.

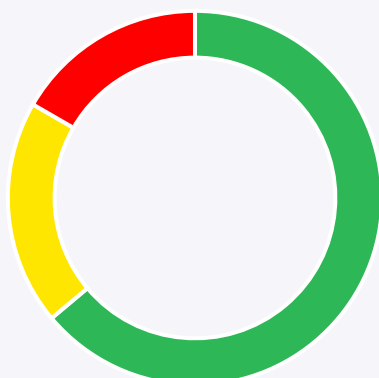
The Council considers a strategic performance report against each of the Strategic Outcomes agrees within the Outcome Delivery Plan. This includes an assessment of performance against targets, along with trend information and a description from the service including, where necessary, reasons for slippage against targets.

This includes an assessment of performance against targets, along with trend information and a description from the service including, where necessary, reasons for slippage against targets.

Exhibit 7 highlights that in 2022/23, the Council assessed progress as “Green” for 64% of the indicators where targets were set within the Outcome Delivery Plan. Key achievements include:

- ▶ The completion of 132 affordable housing units;
- ▶ Improvements in the rate of recycling at 58.1% (against the national average of 42.7%); and
- ▶ The percentage of people over age 65 who continue to live in housing (96.6%).

### Exhibit 7: The Council reported that it delivered 64% of targets against the Strategic Outcomes within the Outcome Delivery Plan in 2022/23



Definition the Outcome Delivery Plan



On target (n = 23)

Target still to be achieved (n = 7)

Off target (n = 6)

**| The Council reports on performance against the 5 Community Planning Strategic Outcomes**

Exhibit 8 highlights that East Renfrewshire’s performance is in line with or exceeds national averages for over 75% of the indicators that it set for 2022/23.

Areas that significantly exceed the national average performance include:

- ▶ Life expectancy for male and females (79.5 years and 83.8 year respectively);
- ▶ The rate of child poverty. This increased to 14.4% from 12.8%, but remains the lowest in Scotland; and
- ▶ School leavers in a positive destination (96.6% against the Scottish average of 95.7%); and
- ▶ The number of crimes per 10,000 population (227, compared to the national average of 524).

Areas where performance is below the national average include:

- ▶ The older age dependency ratio (the ratio of people age 75+ to the working age population is 16.3%; and

- ▶ The children and young person dependency ratio is 34.3%, much higher than the national average.

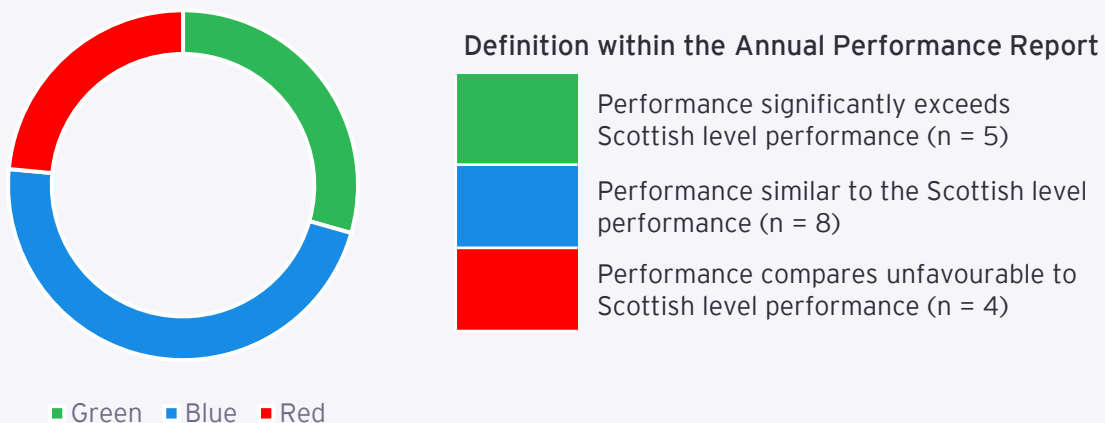
These outcomes reflect the demographic pressures that impact East Renfrewshire Council.

**| The Council has highlighted significant and ongoing financial risks within its risk registers**

The Audit and Scrutiny Committee receives a biannual update on the key strategic risks facing the Council, which are linked to the Council’s strategic objectives. Eleven risks are scored as at the highest rating available, including four which were uprated in the most recent assessment:

- ▶ Significant pressures and lack of service capacity impact on service delivery and quality standards;
- ▶ Reduced central government funding and new grant conditions leading to failure to support the current level of service provision;
- ▶ Loss of data or interruption to service due to cyber attack;
- ▶ The delivery of major works capital programmes.

**Exhibit 8: East Renfrewshire’s performance was in line with or exceeded Scottish averages for 75% of outcomes in 2022/23**



## **| The Council has highlighted that the public sector faces increased risk of a cyber attack**

There continues to be a significant risk of cyber attacks to public bodies. A number of recent incidents have demonstrated the significant impact that a cyber attack can have on both the finances and operation of an organisation. In 2022/23, Audit Scotland has asked us to consider risks related to cyber security at audited bodies.

East Renfrewshire Council continues to assess and monitor the risk presented from cyber attacks. The Council's Information Security and Digital Risk Officer provides updated guidance, policies and risk assessments across a range of cyber and information security topics including the management of information on personal devices, and the need to use strong passwords. The Council has also run campaigns to check individual users' response to potential phishing emails. This has supported the targeting of further individualised training and support.

The Council participates in a wider UK programme to identify and prevent phishing attacks on the public sector by asking staff to forward suspicious emails to scam@netcraft.com as well as internal information security contacts. This results in suspicious content being addressed and blocked across the public sector.

The Council also participates in:

- ▶ the national cyber security centre (NCSC) Active Cyber defence programme which provides tools and services which seek to reduce the harm from cyber-attacks and protect against a range of security threats; and

- ▶ the Scottish Local Authority Security Group (SLAISG) Scotland's WARP (warning, advice and reporting point) which facilitates the sharing of advice, best practice and potential cyber threat and attacks across the public sector.

The Council's server and desktop estate is monitored for vulnerabilities and out of date software by an externally-managed cyber security operations centre (CSOC).

## **| The Council has set an ambitious target to become net zero by 2045 but does not yet have a realistic plan in place to deliver**

Scotland has set a legally binding target of becoming net zero by 2045, and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. Audit Scotland has asked for specific audit work to be conducted in 2022/23 on the arrangements in place to respond to climate change, as part of a developing programme of work.

East Renfrewshire Council declared a climate emergency in 2021 and has set a target within its "Get to Zero" strategy to achieve net zero carbon emissions by 2045, with interim targets for 75% by 2030 and 90% by 2040.

The draft Get to Zero Action Plan was presented to Cabinet in May 2023, and will now be subject to public consultation. Progress to date is on the Council's website, and on the Sustainable Scotland Network. The public reporting includes details of the Council's governance arrangements. On an annual basis, progress is reported to the Cabinet as the main decision-making body, and therefore accountable for the strategic direction of the Council. The Council has a Climate Change Senior Officer Working Group in place to support the implementation of the Action Plan.

In June 2022, the Council published its guidance on the implementation of Climate Change Impact Assessments (CCIAs) to ensure that each decision taken at committee now evidence the carbon impact of a proposal or understanding its potential impact on the council's net-zero objectives.

In 2022/23, the Council reported on greenhouse gas emissions within its financial statements for the first time.

The reporting notes that in order to meet the 2045 target, the Council needs to reduce its operational emissions to zero. This suggests a reduction of 870 tCO<sub>2</sub>e is needed in each of the 25 years until the target. Excluding waste management emissions, which are likely to remain quite stable as a result of the long-term contract, emissions have only reduced by around 150 tCO<sub>2</sub>e since 2019/20.

Based on the current trajectory, the Council is therefore expected to miss its targets without taking additional action. While we note that the Get to Zero action plan will provide a path to reduce emissions, the financial environment facing councils means that the significant investment required is unlikely to be affordable (refer to **Recommendation 4**).

## | Best Value

In our view, the Council's performance management and financial reporting arrangements allow the Council to demonstrate the achievement of Best Value. Our thematic review concluded that there is a vision in place and that longer term strategic planning is based on community engagement and is aligned with community planning partners.

Within the thematic review and our wider scope work we do, however, note that there is a need to further develop the Medium Term Financial Plan, Capital Investment Strategy, Capital Plan and Workforce Strategy to clearly demonstrate how key priorities will be delivered, including the Council's longer-term climate ambitions.

### | Thematic review

Under the Code of Audit Practice June 2021, we perform an annual programme of work in relation to Best Value and wider scope responsibilities. This work includes reviews based on annual thematic Best Value topics prescribed by the Accounts Commission (the Commission).

For 2022/23, the Commission directed auditors to report on the effectiveness of the leadership of the development of strategic priorities. Our key conclusions against the work programme set by the Commission are outlined in Exhibit 9.

### | Basis for our assessment

As auditor to the Council, we are required to comment on how effectively, in our view, the Council demonstrates that it meets its Best Value responsibilities.

In forming this judgement, we draw upon the thematic Best Value work and our wider planning work, alongside the work conducted to support our wider scope responsibilities, and specifically:

- ▶ Documentation review and fieldwork interviews with senior officers;
- ▶ Our consideration of the Council's financial planning processes including the most recent Medium Term Financial Plan and budget monitoring reports;

- ▶ Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- ▶ Our assessment of performance reporting to the Council; and
- ▶ The Council's revised Vision for the Future and Outcome Delivery Plan.

### | The Council can demonstrate that it has the key elements needed to deliver Best Value in place

The Council has reviewed and updated its longer term strategic planning based on engagement with communities and partnership working with key stakeholders. Further work is underway to refresh the frameworks that will support delivery, including a review of current community planning structures and plans. There is a need to further develop the Medium Term Financial Plan, Capital Investment Strategy, Capital Plan and Workforce Strategy to clearly demonstrate how key priorities will be delivered. There is a particular need to quantify the cost gap in relation to delivering net zero targets for 2045 to inform funding and prioritisation discussions.

It has a well-developed Performance Framework in place and we noted evidence of effective scrutiny arrangements throughout the year. We do, however, note that the Council's financial position is increasingly challenging.

## Exhibit 9: The key findings from our Best Value Thematic Review

- ▶ The Council has a long term planning framework in place with the Community Planning Partnership that ensures that the vision and strategic priorities are aligned across partners. The Council recently approved a revised Vision for the Future, representing the first key step in refreshing the long term strategic planning framework.
- ▶ It has drawn upon stakeholder engagement and work with partners to refine and refresh the vision for the next 10 to 15 years and has identified three clear priority themes: Children and Young People; Communities and Place and Promoting wellbeing and supporting the vulnerable.
- ▶ The Council can demonstrate “golden thread” alignment between the current strategic priorities within the Community Plan and it’s planning framework. Further work is underway to develop the outcomes that underpin the refreshed framework. the Council began a programme of stakeholder engagement to inform it’s Vision for the Future.
- ▶ The Council demonstrates its understanding of it’s communities and engagement with a range of equalities groups. It has invested in data analysis tools to ensure that it builds a deeper understanding of communities and potential vulnerabilities over time, allowing services and support to be targeted at a much more localised level.
- ▶ The Council has undergone a period of significant change in both the officer leadership team and elected members. It has taken steps to ensure that respective roles and strategic priorities, and their rationale, are well-understood.

### Our recommendations

- ▶ The Council should ensure that it has fully costed the investment plans necessary to deliver net zero by 2045.
- ▶ The Council needs to further develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.
- ▶ The Council needs to re-establish organisation-wide arrangements for the self-evaluation of services.



# Appendices

- A** Code of audit practice: Responsibilities
- B** Independence report
- C** Required communications with the Audit and Scrutiny Committee
- D** Timeline of communications and deliverables
- E** Action Plan
- F** Adjusted and unadjusted differences
- G** Audit fees
- H** Prior year recommendation follow up
- I** Additional audit information

## Code of audit practice: Responsibilities

### Audited body responsibilities

Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives. The features of proper financial stewardship include the following:

#### Corporate governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

#### Financial statements and related reports

Audited bodies must prepare annual accounts comprising financial statements and other related reports. They have responsibility for:

- ▶ Preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ Maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their accounts and related reports disclosures.
- ▶ Ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.

- ▶ Preparing and publishing, along with their financial statements, related reports such as an annual governance statement, management commentary (or equivalent) and a remuneration report in accordance with prescribed requirements.
- ▶ Ensuring that the management commentary (or equivalent) is fair, balanced and understandable.

It is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

#### Standards of conduct for prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

## **A** Code of audit practice: Responsibilities (cont.)

### **Maintaining a sound financial position**

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ Such financial monitoring and reporting arrangements as may be specified.
- ▶ Compliance with any statutory financial requirements and achievement of financial targets.
- ▶ Balances and reserves, including strategies about levels and their future use.
- ▶ How they Report to deal with uncertainty in the medium and longer term.
- ▶ The impact of reporting future policies and foreseeable developments on their financial position.

### **Responsibilities for best value, community reporting and performance**

Local government bodies have a duty to make arrangements to secure best value. best value is defined as continuous improvement in the performance of the body's functions. In securing best value, the local government body is required to maintain an appropriate balance among:

- ▶ The quality of its performance of its functions.
- ▶ The cost to the body of that performance.
- ▶ The cost to persons of any service provided by it for them on a wholly or partly rechargeable basis.

In maintaining that balance, the local government body shall have regard to:

- ▶ Efficiency.
- ▶ Effectiveness.
- ▶ Economy.
- ▶ The need to meet the equal opportunity requirements.

The local government body shall discharge its duties under this section in a way which contributes to the achievement of sustainable development.

In measuring the improvement of the performance of a local government body's functions for the purposes of this section, regard shall be had to the extent to which the outcomes of that performance have improved.

The Scottish Government's Statutory Guidance on best value (2020) requires bodies to demonstrate that they are delivering best value in respect of seven themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

The Community Empowerment (Scotland) Act 2015 is designed to help empower community bodies through the ownership or control of land and buildings, and by strengthening their voices in decisions about public services.

Specified audited bodies are required to prepare and publish performance information in accordance with Directions issued by the Accounts Commission.

## **A** Code of audit practice: Responsibilities (cont.)

### **Internal audit**

Public sector bodies are required to establish an internal audit function as a support to management in maintaining effective systems of control and performance. With the exception of less complex public bodies the internal audit programme of work is expected to comply with the Public Sector Internal Audit Standards.

Internal audit and external audit have differing roles and responsibilities. External auditors may seek to rely on the work of internal audit as appropriate.

### **Appointed auditors' responsibilities**

Appointed auditors' statutory duties for local government bodies are contained within Part VII of the Local Government (Scotland) Act 1973, as amended.

These are to:

- ▶ Audit the accounts and place a certificate (i.e., an independent auditor's report) on the accounts stating that the audit has been conducted in accordance with Part VII of the Act.
- ▶ Satisfy themselves, by examination of the accounts and otherwise, that:
  - ▶ The accounts have been prepared in accordance with all applicable statutory requirements.
  - ▶ Proper accounting practices have been observed in the preparation of the accounts.
- ▶ The body has made proper arrangements for securing best value and is complying with its community reporting duties.
- ▶ Hear any objection to the financial statements lodged by an interested person.

Appointed auditors should also be familiar with the statutory reporting responsibilities in section 102 of the Local Government (Scotland) Act 1973, including those relating to the audit of the accounts of a local government body.

## B Independence report

### Introduction

The FRC Ethical Standard and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the reporting stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

During the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY charged to you for the provision of services during the period, analysed in appropriate categories, are disclosed.

### Required Communications

#### Planning Stage

- ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

### Final Stage

- ▶ To allow you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of non-audit/additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ An opportunity to discuss auditor independence issues.

**We confirm that we have undertaken client and engagement continuance procedures, including our assessment of our independence to act as your external auditor. We have identified no relationships that impact the audit of East Renfrewshire Council.**

## C Required communications

We have detailed below the communications that we must provide to the Council.

		Our reporting to you
Required communications	What is reported?	When and where
<b>Terms of engagement</b>	Confirmation by the Audit and Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Audit Scotland Terms of Appointment letter (December 2022) - audit to be undertaken in accordance with the Code of Audit Practice.
<b>Our responsibilities</b>	Reminder of our responsibilities as set out in the engagement letter.	Annual Audit Plan - March 2023
<b>Reporting and audit approach</b>	Communication of the reporting scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan - March 2023
<b>Significant findings from the audit</b>	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures.</li> <li>▶ Significant difficulties, if any, encountered during the audit.</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management.</li> <li>▶ Written representations that we are seeking.</li> <li>▶ Expected modifications to the audit report.</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process.</li> <li>▶ Findings and issues regarding the opening balance on initial audits.</li> </ul>	This Annual Audit Report.

## C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
<b>Going concern</b>	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Annual Audit Report.
<b>Misstatements</b>	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation.</li> <li>▶ The effect of uncorrected misstatements related to prior periods.</li> <li>▶ A request that any uncorrected misstatement be corrected.</li> <li>▶ Corrected misstatements that are significant.</li> <li>▶ Material misstatements corrected by management.</li> </ul>	This Annual Audit Report.
<b>Fraud</b>	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist.</li> <li>▶ A discussion of any other matters related to fraud.</li> </ul>	This Annual Audit Report.
<b>Internal controls</b>	Significant deficiencies in internal controls identified during the audit.	This Annual Audit Report.

## C Required communications (cont.)

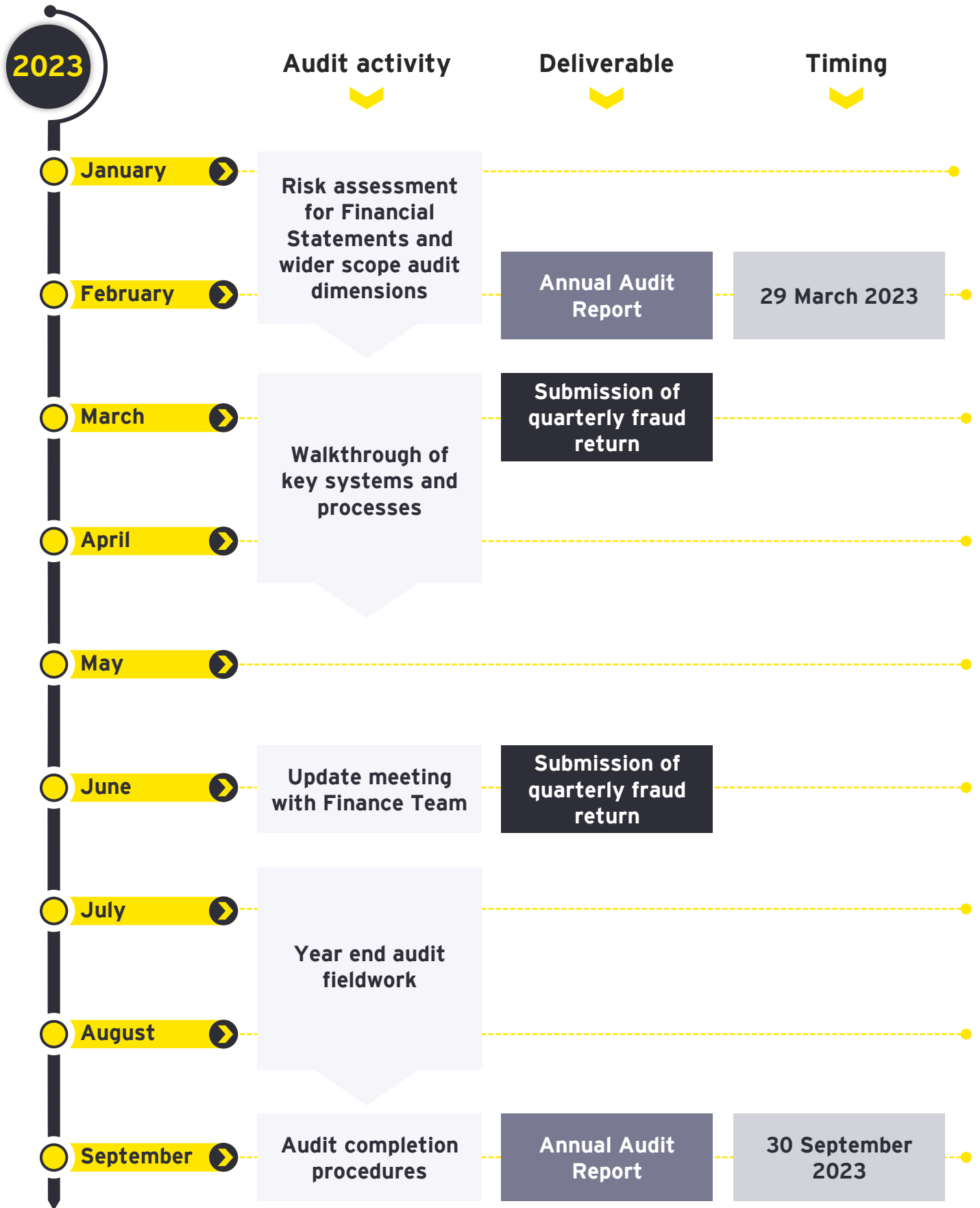
		Our reporting to you
Required communications	What is reported?	When and where
<b>Related parties</b>	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Annual Audit Report.
<b>Independence</b>	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Annual Audit Plan and this Annual Audit Report.
<b>External confirmations</b>	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations.</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	This Annual Audit Report.
<b>Representations</b>	Written representations we are requesting from management and/or those charged with governance.	This Annual Audit Report.



## C Required communications (cont.)

		Our reporting to you
Required communications	What is reported?	When and where
<b>Consideration of laws and regulations</b>	<ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off.</li> <li>▶ Enquiry of the Audit and Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Scrutiny Committee may be aware of.</li> </ul>	This Annual Audit Report.
<b>Material inconsistencies and misstatements</b>	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	This Annual Audit Report.
<b>Auditors report</b>	Any circumstances identified that affect the form and content of our auditor's report.	This Annual Audit Report.
<b>Best value and wider scope judgements and conclusions</b>	Our reporting will include a clear narrative that explains what we found and the auditor's judgement in respect of the effectiveness and appropriateness of the arrangements that audited bodies have in place regarding the wider-scope audit.	This Annual Audit Report.
<b>Key audit matters</b>	The requirement for auditors to communicate key audit matters, which apply to listed companies and entities which have adopted the UK Corporate Governance Code in the private sector, applies to annual audit reports prepared under the Code.	This Annual Audit Report.

# D Timeline of communication and deliverables



## E Action Plan

We include an action plan to summarise specific recommendations included elsewhere within this Annual Audit Report. We grade these findings according to our consideration of their priority for the Council or management to action.

### Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1.	<p><b>Valuation Programme</b></p> <p>Key working papers that we would expect to be presented and considered by management as part of a robust valuation process were not available at the start of the audit. We subsequently experienced delays in obtaining the valuation certificates and supporting evidence for the assets subject to testing.</p>	<p>Management should review its valuation arrangements to ensure that clear instructions are issued to valuation experts, including the detailed audit information requirements.</p> <p style="text-align: right;">Grade 1</p>	<p><b>Response:</b> Accountancy management will issue revised instructions to valuation staff, more clearly setting out audit requirements, so that appropriate information is available at the start of future audit.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> 31 October 2023</p>
2.	<p><b>Valuation of Property, Plant and Equipment</b></p> <p>Our testing identified a number of errors within valuations, including the valuation of amenity land throughout the asset base at a developed rate, which in our judgement, contravenes the CIPFA Accounting Code of Practice.</p>	<p>The Council should ensure that the basis of valuations is in line with the Code of Accounting Practice.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b> Valuers will operate in line with the Code of Accounting Practice.</p> <p><b>Responsible officer:</b> Head of Environment (Strategic Services)</p> <p><b>Implementation date:</b> 31 March 2024</p>

## E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
3.	<p><b>Common Good Assets</b></p> <p>In May 2023, LASAAC issued guidance in relation to the recording and monitoring of common good assets.</p>	<p>The Council should consider its arrangements for recording common good assets against the updated LASAAC guidance.</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b> Arrangements will be reviewed to ensure compliance with updated LASAAC guidance.</p> <p><b>Responsible officer:</b> Head of Accountancy/Chief Officer - Legal &amp; Procurement</p> <p><b>Implementation date:</b> 31 March 2024</p>
4.	<p><b>Medium Term Financial Planning</b></p> <p>Plans to prepare multi-year budgeting plans following the May/June 2022 Scottish Spending Review were not progressed due to the unprecedented financial pressures and uncertainties facing Scottish Local Government.</p>	<p>The Council needs to develop a realistic and costed medium term financial plan that supports the delivery of strategic objectives.</p> <p style="text-align: right;">Grade 1</p>	<p><b>Response:</b> The Council's current medium term financial plan will be updated to ensure that it reflects appropriate costs and delivery timescales for strategic objectives for 2024/25 and beyond.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> February 2024</p>
5.	<p><b>Reserves Strategy</b></p> <p>We note that the Reserves Policy has not been updated since February 2021, and may not, therefore, fully reflect the level of risk and uncertainty facing the Council in the short to medium term.</p>	<p>The Council should review the Reserves Policy to ensure it fully reflects its current risks and priorities</p> <p style="text-align: right;">Grade 2</p>	<p><b>Response:</b> Work has already commenced on the scheduled review of the Council's Reserves Policy</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> February 2024</p>

## E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
6.	<p><b>Budget Monitoring</b></p> <p>In our view there is scope to improve the accuracy of forecasting during the year to support decision-making and scrutiny.</p>	<p>The Council should review budget monitoring processes to increase the accuracy of forecasts throughout the year.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> Recent outturn variance trends will be reviewed with a view to improving forecasting accuracy.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> March 2024</p>
7.	<p><b>Finance Team Workforce Planning</b></p> <p>The Council should ensure that the Accountancy Team is sufficiently resourced to reduce key person dependency and meet ongoing training requirements.</p>	<p>The Council should have a workforce plan for the Finance Team which includes any training requirements and succession planning arrangements.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> The Accountancy Workforce Plan is contained within its Service Plan and is updated annually. The most recent restructure of the service, in December 2022, sought to broaden key staff's experience and knowledge and thereby reduce risk of single points of failure. Staff development comprises both on-the-job experience, shadowing and training.</p> <p><b>Responsible officer:</b> Head of Accountancy</p> <p><b>Implementation date:</b> May 2024</p>

## E Action Plan continued

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
8.	<p><b>Internal audit resourcing</b></p> <p>Throughout the year, we noted an acute resource constraint within the Council's internal audit team. The Chief Auditor has referred to vacancies within the team and the impact on the delivery of the internal audit plan in both 2021/22 and 2022/23. The Plan for 2023/24 notes that delivery assumes that the two current vacancies would be filled in the first quarter of the year. This has not been possible and we therefore consider that delivery of the plan in full is at risk.</p>	<p>There is an urgent need to respond to the current level of vacancies within the Council's internal audit team.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> The internal audit vacancies have recently been readvertised. Should this be unsuccessful, other options will be considered</p> <p><b>Responsible officer:</b> Chief Executive</p> <p><b>Implementation date:</b> December 2023</p>
9.	<p><b>Audit Committee Good Practice Guidance</b></p> <p>In October 2022, CIPFA updated its guidance on good practice for local authority audit committees. There has not yet been a formal self-assessment arrangements against the CIPFA guidance which may identify improvements]</p>	<p>The Audit and Scrutiny Committee should review its arrangements against updated good practice guidance.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p><b>Response:</b> The Audit &amp; Scrutiny Committee is scheduled to carry out its next self assessment during 2024/25 and will ensure that this takes cognisance of the latest good practice guidance</p> <p><b>Responsible officer:</b> Head of HR and Corporate Services</p> <p><b>Implementation date:</b> March 2025</p>

## F Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

### Disclosure misstatements that have been corrected

No.	Note	Description
1	Council Tax Dwellings	It was noted during our review that the disclosure for number of dwellings was based on a return made to the Scottish government in September 2021. This has been updated to reflect the figures provided by the Assessors at 31/03/2023.
2	Remuneration Report	<p>East Renfrewshire Council disclosed travel expenses in the section of the remuneration report covering Councillor expenses. Upon investigation, we noted that this related to the lease car costs which is leased by the Council under standard invoicing arrangements and used for the fulfilment of civic duties, such as attending formal events. The cost of the car is apportioned to each elected member based on each individual's use of the car, but the member does not receive any reimbursement for the cost incurred and therefore does not meet the criteria as an expense per the Local Government (Allowances and Expenses) (Scotland) Regulations 2007.</p> <p>We have therefore raised an adjustment to remove these costs. The current year impact is £4,984. Due the lower materiality applied to the remuneration reporting at the Council management has also corrected the prior year equivalent.</p>

### Prior year disclosure misstatements that have been corrected

No.	Section	Description
1	Remuneration Report	<p>East Renfrewshire Council disclosed travel expenses in the section of the remuneration report covering Councillor expenses. Upon investigation, we noted that this related to the lease car costs which is leased by the Council under standard invoicing arrangements and used for the fulfilment of civic duties, such as attending formal events. The cost of the car is apportioned to each elected member based on each individual's use of the car, but the member does not receive any reimbursement for the cost incurred and therefore does not meet the criteria as an expense per the Local Government (Allowances and Expenses) (Scotland) Regulations 2007. We have therefore raised an adjustment to remove these costs. The prior year impact is £3,035.</p>

## F Adjusted and unadjusted differences

This appendix sets out the adjustments that were processed as part of finalisation of the financial statements.

### Current year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
1	Note 23: Creditors	Under accrual of accumulated absences - The calculation of accumulated absences accrual were based on the 2022/23 rates of pay as opposed to being uplifted to reflect the salaries in 2023/24.	Dr Employee Expenditure £539k  Cr Accruals (£539k)
2	Note 15: Property, Plant and Equipment	Valuation of land (Other Land & Buildings) -  Review of the valuation of land by our internal specialists identified several areas whereby land was not valued in line with the requirements of the CIPFA Code and IFRS, resulting in material audit variances, many of which net off against each other. <ul style="list-style-type: none"> <li>• Land values for the land PFI/PPP assets sit on had been recorded at a discounted value as opposed to their full value, resulting in an understatement of £6.781m.</li> <li>• Land values for sites in Barrhead had been undervalued, resulting in an understatement of £3.506m.</li> <li>• Land values for sites in Eastwood has been overvalued, resulting in an overstatement of land of £714k.</li> <li>• Amenity land throughout the asset base had been valued at a developed rate, resulting in an overstatement of £9.404m</li> </ul> The above variances net off against each other and the identified variance was projected across the untested population to reach a total understatement of £339k	Dr Land £339k  Cr Revaluation Reserve (£339k)



## F Adjusted and unadjusted differences

### Current year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
3	Note 15: Property, Plant and Equipment	Valuation of PPP/PFI Schools - PPP/PFO Schools were revalued in 2022/23 but had not previously been revalued since 2017/18. This resulted in a significant revaluation movement increase in year of £53.646m. It was determined through the audit discussions that a material amount of this should have been processed in the prior year as a result of inflation increasing. As a result, a portion of the revaluation movement has instead been processed in the prior year, with only the amount relating to the movement between 21/22 and 22/23 being recorded in the current year, a reduction of £38.527m.	
4	Note 15: Property, Plant and Equipment	Valuation of Other Land & Buildings (Schools) - In line with the adjustment above, the valuation movements for material schools which had not been revalued in 21/22 were considered and it was determined that a material element of the revaluation movement should have been recognised in the prior year, resulting in a reduction of £11.73m.	
5	Note 15: Property, Plant and Equipment	East Renfrewshire Council has adopted a statutory override for the period 1 April 2021 to 31 March 2024 which permits the council not to report gross cost and accumulated depreciation for Infrastructure assets. The council's Roads PPP had previously been excluded from this.	Dr Infrastructure Assets £23,365k  Cr PPP/PFI Assets (£23,365k)  This is a reclassification within Note 15.

## F Adjusted and unadjusted differences

### Current year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
6	Note 15: Property, Plant & Equipment	<p>The Council had been capitalising lifecycle costs as determined by the models for PPP/PFI assets. The Council were unable to provide adequate support the capital nature and value of the additions. This results in a decrease of additions to PPP/PFI assets of £2.167million in the current year. We are comfortable prior year additions do not distort the ultimate valuation of the assets due to the yearend valuation work completed at 31 March 2023.</p> <p>In addition to this £3,057k of lifecycle costs have been removed from the value of the Roads PPP, which forms part of infrastructure assets. These are additions which have been incurred since the introduction of IFRS in 2010 up until 2021/22.</p>	<p>Dr Expenditure £5,224k</p> <p>Cr Additions (£5,224k)</p>
7	Balance Sheet	<p>Recognition of unfunded liability - it was noted from our review of the IAS19 actuarial valuation report that the Council has unfunded pension obligations at 31/03/2023 of £17.3million. These should be recognised separately on the balance sheet as an obligation on the basis that there are no plan assets to meet the pension liabilities and therefore it is not appropriate to plan assets for the funded scheme off against them.</p>	<p>Dr Expenditure £17,398k</p> <p>Cr Unfunded Pension Liability (£17,398k)</p>
8	Balance Sheet	<p>Reduction of pension asset in line with asset ceiling report - the Council initially recognised the full pension asset per the IAS19 actuarial valuation report. An asset ceiling report was obtained, which resulted in a total pension asset of £16.221m. There we have raised an adjustment for the difference.</p>	<p>Dr Expenditure £144,242k</p> <p>Cr Pension Asset (£144,242k)</p>

## F Adjusted and unadjusted differences

### Disclosure misstatements that have not been corrected

No.	Note	Description	Impact on financial statements
1	Note 39: Defined Benefit Pension Schemes	We have been notified of a late adjustment in the audit of the Strathclyde Pension Fund which would increase the fund assets for East Renfrewshire Council by £1.9 million in the disclosure tables. This would not impact the asset ceiling recorded and therefore no impact on the financial statements.	

### Prior year misstatements that have been corrected

No.	Note	Description	Impact on financial statements
1	Note 15: Property, Plant & Equipment	Prior year impact of adjustment 3. An increase in the prior year carrying of £38.527m.	
2	Note 15: Property, Plant & Equipment	Valuation of Other Land & Buildings (Schools) - The valuation movements for material schools which had not been revalued in 21/22 were considered and it was determined that a material element of the revaluation movement should have been recognised in the prior year, resulting in an increase of £11.73m.	
3	Note 15: Property, Plant & Equipment	East Renfrewshire Council has adopted a statutory override for the period 1 April 2021 to 31 March 2024 which permits the council not to report gross cost and accumulated depreciation for Infrastructure assets. The council's Roads PPP had previously been excluded from this.	Dr Infrastructure Assets £27,264k  Cr PFI/PPP Assets (£27,264k)  This is a reclassification within Note 15.

## G Audit Fees

### 2022/23 Fees

The Council's audit fee is determined in line with Audit Scotland's fee setting arrangements. Audit Scotland will notify auditors about the expected fees each year following submission of Audit Scotland's budget to the Scottish Commission for Public Audit, normally in December. The remuneration rate used to calculate fees is increased annually based on Audit Scotland's scale uplift.

	2022/23	2021/22
<b>Component of fee:</b>		
▶ Auditor remuneration - expected fee	£218,830	
▶ Additional audit procedures (Note 1)	£48,367	
▶ Audit of Section 106 Trusts	£8,704	
<b>Audit Scotland fixed charges:</b>		
▶ Performance audit and best value	£55,800	
▶ Audit support costs	£8,300	
Sectoral price cap	(£11,230)	
<b>Total fee</b>	<b>£328,771</b>	<b>£241,420</b>

The expected fee for auditor remuneration is based on a risk assessment of publicly available information from the 2021 tender exercise. It assumes that the Council has well-functioning controls, an effective internal audit service, and an average risk profile for its sector across a range of areas for consideration, including financial, operational and governance risks. Throughout the course of their work, auditors may identify new, developing or otherwise enhanced areas of risk that are required to be addressed to deliver an audit to the quality standards expected, and in line with the requirements of the Code of Practice.

**Note 1** - During the yearend audit, areas of additional work, required to complete the audit but above the initially predictable scope of audit work, have included:

- ▶ Additional work on pension asset ceiling calculations. This is the first time for a significant period that LGPS are now in asset positions, in particular since the inception of IFRS and IFRIC 14.
- ▶ Use of financial flexibilities, as a significant and unusual transaction we reviewed and considered management's approach against the directions, and recalculated the proposed adjustments from the use of flexibilities, including additional checking of the underlying PFI models and legacy contracts.
- ▶ Infrastructure assets - additional time was required to test the existence of historic assets and that the application of the statutory overrides has been applied correctly.
- ▶ Asset valuation work, reflecting the valuation of the full asset base and the subsequent time required to unpick the prior year adjustments identified through that process, and the additional time required by both the audit team and our valuers to gain the assurances required over some of the more unusual judgements applied by the valuation team at the Council.

## H Prior Year Recommendation Follow Up

This appendix sets out the recommendations that were made by the Council's previous auditors, Audit Scotland in 2021/22, along with our assessment of progress.

### Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
1	<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>There should be clear evidence of how officers have challenged and scrutinised the valuation to ensure the accounts are free from material misstatement.</p>	<p>An annual report will be prepared for the Chief Financial Officer outlining the details of the work undertaken, the impact on the asset values and the methodology applied in completing the revaluation programme.</p> <p>Responsible Officer: Head of Strategic Services (Environment)</p> <p>Agreed date: February 2023</p>	<p><b>Incomplete:</b></p> <p>Refer to Recommendations 1 and 2 in Appendix E</p>
2	<p>We recommend that a review of controls and processes around related parties is undertaken. This will include the documentation of member and officer interests as well as the processes in place to identify the relevant disclosures for inclusion in the financial statements.</p>	<p>A joint review of paperwork and processes relating to staff and Member interests will be undertaken, culminating in new guidance and any necessary revisions to the registration process.</p> <p>Responsible Officer: Director of Business Operations &amp; Partnerships and Chief Solicitor.</p> <p>Agreed date: June 2023</p>	<p><b>Complete:</b> We reviewed the member and officer registers of interest as part of our work on related party transactions with no findings arising.</p>

## H Prior Year Recommendation Follow Up continued

### Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
3	<p>As part of the budget process the council should continue to assess the reasonableness of service budgets and ensure that these reflect planned expenditure as these inform the level of planned spend and required council tax rates to support this expenditure.</p> <p>The adequacy of reserve levels should also be assessed and members should be given adequate information to make choices around the utilisation of monies including previously unused balances.</p>	<p>Agreed. The 2021/22 underspend was a result of planned prudent action in the latter months of the year, when the worsening outlook for the coming year became clear. This action took account of the forecast reserve levels. The Council will continue to report on current and forecast reserve levels as a key element of its financial planning and will also continue to be flexible during the year to take necessary action in response to the changing financial outlook.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2023</p>	<p><b>Partially complete:</b> In recommendation 6 in Appendix we note that the Council's outturn was a significant improvement on forecasting throughout the financial year.</p>
4	<p>The council should develop a revised financial strategy incorporating new or temporary financial flexibilities and assess how the total balances available are best utilised to support the financial sustainability of the council over the medium term.</p> <p>The council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.</p>	<p>The Council is currently reviewing the new service concession flexibility and will also assess any temporary financial flexibilities expected to be offered soon by the Scottish Government. We continue to update our long-term financial plans annually and to monitor and report on all available reserves as part of our financial planning and budgeting processes.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2023</p>	<p><b>Partially complete:</b> The Council has updated its medium term financial outlook and has adopted the service concession financial flexibility in the year. We do, however, note in Recommendation 4 in Appendix E that there is a need to update the medium term financial plan.</p>

## H Prior Year Recommendation Follow Up continued

### Prior year recommendations

No.	Recommendation	Management response	Our assessment of progress
5	Establish an annual self-assessment of the audit and scrutiny committee to assess and challenge the effectiveness of the committee and to identify areas for development.	<p>In June 2022, the new Audit and Scrutiny Committee endorsed a significant range of observations and recommendations made by the outgoing Committee in April. The new Committee agreed that periodic self-evaluation is useful, but did not support an annual review, due to workload and resource implications. Instead, the Committee made a commitment to 2 reviews during the lifespan of the Administration, one mid-way through (c.2024/25) and one at the end of the term (2026/27).</p> <p>Responsible officer: Director of Business Change &amp; Partnerships</p> <p>Agreed date: NA</p>	<p><b>Not yet due:</b> In recommendation 9 we note that CIPFA has issued further good practice recommendations for Audit Committees in Local Government that should be taken into account in the Committee's self-assessment.</p>
6	<p>The council should develop a revised financial strategy incorporating new or temporary financial flexibilities and assess how the total balances available are best utilised to support the financial sustainability of the council over the medium term.</p> <p>The council will need to actively engage with local and national partners to deliver the required level of efficiencies and savings.</p>	<p>The Council is currently reviewing the new service concession flexibility and will also assess any temporary financial flexibilities expected to be offered soon by the Scottish Government. We continue to update our long-term financial plans annually and to monitor and report on all available reserves as part of our financial planning and budgeting processes.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Agreed date: March 2023</p>	<p><b>Partially complete:</b> The Council has updated its medium term financial outlook and has adopted the service concession financial flexibility in the year. We do, however, note in Recommendation 4 in Appendix E that there is a need to update the medium term financial plan.</p>

## I Additional audit information

### Introduction

In addition to the key areas of audit focus outlined within the Report, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

### Our responsibilities under auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit and Scrutiny Committee reporting appropriately addresses matters

communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

- ▶ Maintaining auditor independence.

### Purpose and evaluation of materiality

- ▶ For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.
- ▶ Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.
- ▶ The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.



## I Additional audit information (cont.)

### Audit Quality Framework/Annual Audit Quality Report

- ▶ Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.
- ▶ We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>
- ▶ EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: [https://www.ey.com/en\\_uk/about-us/transparency-report](https://www.ey.com/en_uk/about-us/transparency-report)

### This report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland through which the Accounts Commission has appointed us as external auditor of East Renfrewshire Council for financial years 2022/23 to 2026/27.

This report is for the benefit of the Council and is made available to the Accounts Commission and Audit Scotland (together the Recipients).

This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients.

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Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

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